CMC Magnetics Corporation and Its Subsidiaries

Consolidated Financial Statements and Independent Auditors' Report
For the Years Ended December 31, 2020 and 2019
(Stock Code: 2323)

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For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

CMC Magnetics Corporation and Its Subsidiaries
Consolidated Financial Statements and Independent Auditors' Report for the Years Ended December 31, 2020 and 2019
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Representation Letter of CMC Magnetics Corporation

The entities that are required to be included in the consolidated financial statements of the Company as of and for the year ended December 31, 2020, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, a separate set of combined financial statements will not be prepared.

Hereby certify

CMC Magnetics Corporation

Chairman: Wong, Ming-Sen

March 31, 2021

Independent Auditors' Report

(2021) Order Cai-Shen-Pao No. 20004977

To CMC Magnetics Corporation,

Audit Opinion

We have reviewed the accompanying consolidated balance sheets of CMC Magnetics Corporation, (the “Company”) and its subsidiaries (collectively, the “Group”) for the years ended December 31, 2020 and 2019 and the relevant consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and relevant notes, including a summary of significant accounting policies “(collectively referred to as the consolidated financial statements)”.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019 and for the years then ended, and its consolidated financial performance and its consolidated cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China, based on our audit results and the audit reports of other certified public accountants (CPAs)(refer to the section of “Other Matters”).

Basis for Audit Opinion

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China for 2020, while in compliance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants, FSC Letter Jin-Guan-Zheng-Shen No. 1090360805 dated February 25, 2020, and the auditing standards generally accepted in the Republic of China for 2019. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of this 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 auditing results and other independent auditors' reports, we believe that we have obtained sufficient and appropriate audit evidence to serve as the basis for our opinion.

Key Audit Matters

Key audit matters refer to the most vital matters in our audit of the consolidated financial statements of the Group for the year ended December 31, 2020 based on our professional judgment. Such matters have been dealt with in the course of auditing and compiling the consolidated financial statements and in the preparation of our audit opinion. As such, we do not respond to each key matter individually.

Key audit matters of the consolidated financial statements of the Group for the year ended December 31, 2020 are stated as follows

Accounting estimation of inventory valuation

Description

Refer to Note 4(13) to the consolidated financial statements for accounting policies regarding inventory valuation; Note 5(2) for uncertainty of accounting estimates and assumptions regarding inventory valuation; and Note 6(7) for details of inventory accounting titles.

The Group mainly manufactures and sells optical discs. Due to frequent market price fluctuations in such inventories, there is a higher risk of inventory valuation losses. Since the monetary amount of Group’s inventory is significant and there are many items that require manual judgment of obsolescence of inventories, we have listed the estimate of the Group’s allowance for inventory valuation losses as one of the key audit matters for the current year.

Corresponding audit procedures

Our major audit procedures executed in response to this key audit matter are as follows.

1. Assess the policy adopted for its allowance for valuation loss on its inventories based on the understanding of the Group's operations and the nature of the industry.
2. Test whether the basis for the net realizable value is consistent with the policies set by the Group, and randomly inspect the correctness of the selling prices of individual inventory part numbers and the way the net realized value is calculated.
3. Acquire obsolete inventory details that have been identified and approved by the management, inspect the relevant information and verify it based on the records in the account.

Evaluation of impairment of property, plant and equipment

Description

For the accounting policies for impairment of property, plant and equipment and non-financial assets, please refer to Notes 4(16) and 4(21) of the consolidated financial statements; for the uncertainty of accounting estimates and assumptions for impairment of property, plant and equipment, please refer to Note 5(2) of the consolidated financial statements; for the description of impairment accounting items of property, plant and equipment and non-financial assets, please refer to Notes 6(9) and 6(12) of the consolidated financial statements.

The Group estimates the recoverable amount of property, plant and equipment based on value in use, which serves as the basis for impairment assessment. Since the value-in-use evaluation process involves the judgment of the management, any changes in economic conditions or changes in the Company’s strategy may cause impairment in the future. Therefore, we have listed the impairment assessment of the Group’s property, plant and equipment as one of the key audit items for the current year.

Corresponding audit procedures

Our major audit procedures executed in response to this key audit matter are as follows.

1. Recalculate relevant amounts to check the correctness of the management's relevant calculations of the recoverable amount of assets with signs of impairment at the balance sheet date.
2. Understand and evaluate whether the Company's asset impairment assessment procedures and accounting policies are consistent with accounting principles and adopted consistently, including methods used by management to determine the recoverable amount of individual assets.
3. Obtain the evaluation information used by the management to determine the recoverable amount based on the asset usage model and industry characteristics, evaluate and determine the reasonableness of the independent cash flow of the asset group, the useful life of the asset, and the possible future income and expenses.

Other Matters – Audits by other CPAs

The financial statements of some of the subsidiaries and investees under the equity method that are included in the consolidated financial statements of the Group were not audited by us but by other CPAs. Therefore, the opinions issued by us regarding the amounts listed in such subsidiary financial reports from the consolidated financial statements mentioned above are based on the audit report from other CPAs. The total assets (including investments using the equity method) of the aforementioned companies as of December 31, 2020 and 2019 were NT$3,813,941 thousand and NT$5,477,804 thousand, respectively, accounting for 15.38% and 21.52% of the total consolidated assets; the operating income for 2020 and 2019 was NT$2,889,487 thousand and NT$324,473 thousand, respectively, accounting for 30.74% and 4.61% of the consolidated operating income. In addition, part of the Group's investments using the equity method in 2020 and 2019 and part of the information on investees disclosed in Note 13 are based on their evaluation and disclosures of the financial statements made by other CPAs appointed by the investees. We did not audit said financial statements. The balance of said investment using the equity method disclosed as of December 31, 2020 and 2019 was NT$300,803 thousand and NT$461,465 thousand, respectively, accounting for 1.21% and 1.81% of the total consolidated assets; the comprehensive income (including the share of profit and loss and other comprehensive income on associates and joint ventures recognized under the equity method) are NT$(64,094) thousand and NT$106,694 thousand, accounting for 261.96% and 51.65% of the total comprehensive income.

Other Matters - Parent Company Only Financial Reports

The Company has also prepared the parent company only financial statements for the years ended December 31, 2020 and 2019, for which we have issued an unqualified opinion, plus the audit report as in the section of other matters

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

The responsibilities of the management are to prepare the consolidated financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and regulations of IFRS and IAS as well as IFRIC and SIC interpretations endorsed by the FSC with effective dates, and to maintain necessary internal control associated with the preparation in order to ensure that the financial statements are free from material misstatement arising from fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the ability of the Group in continuing as a going concern, disclosing relevant matters, and adopting the going concern basis of accounting unless the management intends to liquidate the Group or cease the operations without other viable alternatives.

The governance bodies of the Group (including the Audit Committee) are responsible for supervising the financial reporting process.

CPAs' Responsibilities for the Audit of Consolidated Financial Statements

Our objectives are to obtain reasonable assurance on whether the consolidated financial statements as a whole are free from material misstatement arising from fraud or error, and to issue an independent auditors' report. Reasonable assurance is a high-level assurance but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements may be caused by fraud or errors. If the amounts of misstatements, either separately or in aggregate, could reasonably be expected to influence the economic decisions of the users of the consolidated financial statements, they are considered material.

We have utilized our professional judgment and maintained professional doubt when performing the audit work in accordance with the auditing standards generally accepted in the Republic of China. We have also performed the following tasks:

1. Identify and evaluate the risk of material misstatements due to fraud or error in the consolidated financial statements; design and carry out appropriate countermeasures for the evaluated risk; and obtain sufficient and appropriate evidence as the basis for their audit 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. Understand the internal control related to the audit in order to design appropriate audit procedures under the circumstances, while not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies adopted by the management and the reasonableness of the accounting estimates and relevant disclosures.

4. Conclude on the appropriateness of the management's adoption of the going concern basis of accounting based on the audit evidence obtained and whether a material uncertainty exists for events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we believe there are events or conditions indicating the existence of a material uncertainty, we are required to remind the users of the consolidated financial statements in our audit report of the relevant disclosures therein, or to amend our audit opinion when any inappropriate disclosure is found. Our conclusion is based on the audit evidence acquired as of the date of the audit report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall expression, structure and contents of the consolidated financial statements (including relevant Notes), and whether the consolidated financial statements fairly present relevant transactions and items.
6. Obtain sufficient and appropriate audit evidence concerning the financial information of entities within the Group, to express an opinion on the consolidated financial statements. We are responsible for guiding, supervising, and performing the audit and forming an audit opinion on the Group.

The matters communicated between us and the governance bodies include the planned scope and times of the audit and significant audit findings (including any significant deficiencies in internal control identified during the audit).

We also provided governance bodies with a declaration that we have complied with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence, and communicated with them all relationships and other matters that may possibly be regarded as detrimental to our independence (including relevant protective measures).

From the matters communicated with the governance bodies, we determined the key audit matters for the audit of the Group's consolidated financial statements for the year ended December 31, 2020. We describe these matters in our audit 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.

PricewaterhouseCoopers Taiwan

Yu, Shu-Fen

CPA

Chang, Shu-chiung

Financial Supervisory Commission

Approval No.: Jin-Guan-Zheng-Shen No. 1030027246

Former Financial Supervisory Commission, Executive Yuan,

Approval No.: Jin-Guan-Zheng-Shen No. 0990042602

March 31,2021

CMC Magnetics Corporation and Its Subsidiaries

Consolidated Balance Sheets
For the Years Ended December 31, 2020 and 2019
Unit: NT$ thousands

	Assets	Notes	December 31, 2020 Amount	%	December 31, 2019 Amount	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 3,697,814	15	$ 3,327,127	13
1110	Financial assets at fair value through profit or loss - current	6(2)	4,186,911	17	4,122,089	16
1136	Financial assets at amortized cost - current	6(4) and 8	257,006	1	258,714	1
1150	Notes receivable, net	6(5) and 7	4,236	-	6,786	-
1170	Net trade receivable	6(5)(6) and 7	1,702,325	7	2,356,468	9
1200	Other receivables	4(3) and 6(6)	413,384	2	270,246	1
130X	Inventories	6(7)	2,796,644	11	3,093,515	12
1460	Non-current assets held for sale, net	6(13)	4,810	-	384,444	2
1479	Other current assets - others	6(2)(12)	221,501	1	277,493	1
11XX	**Total current assets**		13,284,631	54	14,096,882	55
	Non-current assets					
1510	Financial assets at fair value through profit or loss - non-current	6(2) and 8	3,097,478	12	2,171,840	9
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	369,487	1	427,196	2
1535	Financial assets at amortized cost - non-current	6(4) and 8	16,198	-	25,392	-
1550	Investments accounted for using the equity method	6(8)	300,803	1	463,760	2
1600	Property, plant and equipment	6(9)(12) and 8	5,547,534	22	6,329,013	25
1755	Right-of-use assets	6(10)(12)	261,700	1	125,178	-
1760	Investment properties, net	6(11) and 8	626,145	3	374,418	1
1780	Intangible assets	6(12)	146,877	1	181,740	1
1840	Deferred income tax assets	6(31)	488,033	2	515,798	2
1900	Other non-current assets	6(3)(12)(14)	666,123	3	746,923	3
15XX	**Total non-current assets**		11,520,378	46	11,361,258	45
1XXX	**Total assets**		$ 24,805,009	100	$ 25,458,140	100

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	Liabilities and equity	Notes	December 31, 2020 Amount	%	December 31, 2019 Amount	%
	Current liabilities					
2100	Short-term borrowings	6(15) and 8	$ 353,017	2	$ 206,000	1
2120	Financial liabilities at fair value through profit or loss- current	6(16)	-	-	670	-
2130	Contract liabilities – current	6(25)	85,641	-	245,282	1
2150	Notes payable		88,478	-	327,272	1
2170	Trade payables		797,840	3	733,673	3
2200	Other payables	6(17)(34)	1,127,022	5	1,218,841	5
2230	Current tax liabilities		181,506	1	64,900	-
2260	Liabilities directly associated with non-current assets held for sale	6(13)	-	-	147,444	1
2280	Lease liabilities - current		63,188	-	61,465	-
2320	Long-term liabilities due within one year or one operating cycle	6(18) and 8	541,000	2	875,460	3
2399	Other current liabilities - others		168,775	1	114,711	1
21XX	**Total current liabilities**		3,406,467	14	3,995,718	16
	Non-current liabilities					
2540	Long-term borrowings	6(18) and 8	1,589,000	6	1,485,000	6
2570	Deferred income tax liabilities	6(31)	96,884	-	100,339	-
2580	Lease liabilities - non-current		187,261	1	50,671	-
2600	Other non-current liabilities	6(8)(19)	203,746	1	292,764	1
25XX	**Total non-current liabilities**		2,076,891	8	1,928,774	7
2XXX	**Total liabilities**		5,483,358	22	5,924,492	23
	Equity					
	Equity attributable to the owners of parent company					
	Share capital	6(21)				
3110	Common stock		11,588,812	47	11,588,812	45
	Capital surplus	6(22)				
3200	Capital surplus		7,642,963	31	7,700,295	31
	Retained earnings	6(23)				
3310	Legal reserve		21,379	-	-	-
3350	Retained earnings		129,554	1	213,793	1
	Other equity	6(24)				
3400	Other equity		(406,133)	(2)	(276,358)	(1)
31XX	**Total equity attributable to the owners of parent company**		18,976,575	77	19,226,542	76
36XX	**Non-controlling interests**	4(3)	345,076	1	307,106	1
3XXX	**Total equity**		19,321,651	78	19,533,648	77
	Significant contingent liabilities and unrecognized contractual commitments	6(18) and 9				
	Material events after the balance sheet date	11				
3X2X	**Total liabilities and equity**		$ 24,805,009	100	$ 25,458,140	100

The notes attached are part of the Consolidated Financial Statements and shall be read together.

Chairman: Wong, Ming-Sen Manager: Wong, Ming-Sen Accounting Manager: Pi-yin Yang

CMC Magnetics Corporation and Its Subsidiaries

Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2020 and 2019
Unit: NT$ thousands, except for earnings per share

	Items	Notes	2020 Amount	2020 %	2019 Amount	2019 %
4000	Operating revenue	6(2)(8)(25) and 7	$ 9,401,027	100	$ 7,045,247	100
5000	Operating costs	6(7)(19)(30)	(7,397,634)	(79)	(5,926,766)	(84)
5900	Gross operating profit		2,003,393	21	1,118,481	16
	Operating expenses	6(19)(30)and 7				
6100	Selling and marketing expenses		(984,317)	(11)	(502,807)	(7)
6200	Administrative expenses		(845,637)	(9)	(309,189)	(4)
6300	Research and development expenses		(296,480)	(3)	(399,583)	(6)
6450	Expected credit loss	12(2)	(108,303)	(1)	(506)	-
6000	Total operating expenses		(2,234,737)	(24)	(1,212,085)	(17)
6900	Operating losses		(231,344)	(3)	(93,604)	(1)
	Non-operating income and expenses					
7100	Interest revenue	6(4)(26)	16,470	-	18,154	-
7010	Other income	6(27)	279,870	3	1,920,351	27
7020	Other gains and losses	6(2)(16)(28)	277,150	3	(1,587,124)	(22)
7050	Finance costs	6(29)	(49,599)	-	(44,960)	(1)
7060	Share of profit (loss) on associates and joint ventures accounted for using equity method	6(8)	(62,997)	(1)	862	-
7000	Total non-operating income and expenses		460,894	5	307,283	4
7900	**Net income before tax**		229,550	2	213,679	3
7950	Income tax expense	6(31)	(104,723)	(1)	(2,163)	-
8000	**Net profit from continuing operations**		124,827	1	211,516	3
8100	Loss from discontinued operations	6(13)	-	-	(43,930)	(1)
8200	**Net profit**		$ 124,827	1	$ 167,586	2

(Continued on the next page)

	Items	Notes	2020 Amount	%	2019 Amount	%
	Other comprehensive income, net					
	Items that will not be reclassified to profit or loss					
8311	Remeasurement of defined benefit plans	6(19)	$ 4,736	-	$ 15,260	-
8316	Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	6(3)(24) and 12(3)	(29,458)	-	46,006	1
8349	Income tax related to items that will not be reclassified	6(31)	373	-	(3,253)	-
8310	Sum of items that will not be reclassified to profit or loss		(24,349)	-	58,013	1
	Items that may be reclassified subsequently to profit or loss					
8361	Exchange differences on translating the financial statements of foreign operations	6(24)	(123,848)	(1)	1,153	-
8365	Equity directly related to non-current assets held for sale (or disposal groups)	6(13)(24)	-	-	(23,709)	-
8370	Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	6(24)	(1,097)	-	3,526	-
8360	Sum of items that may be reclassified subsequently to profit or loss		(124,945)	(1)	(19,030)	-
8500	**Total comprehensive income for current period**		($ 24,467)	-	$ 206,569	3
	Net income (loss) attributable to:					
8610	Owners of parent company		$ 111,073	1	$ 228,705	3
8620	Non-controlling interests		13,754	-	(61,119)	(1)
	Total		$ 124,827	1	$ 167,586	2
	Total comprehensive income/(loss) attributable to:					
8710	Owners of parent company		($ 44,537)	-	$ 256,575	4
8720	Non-controlling interests		20,070	-	(50,006)	(1)
	Total		($ 24,467)	-	$ 206,569	3
	Earnings per share	6(32)				
9750	Basic earnings per share		$ 0.10		$ 0.20	
	Diluted earnings per share					
9850	Diluted earnings per share		$ 0.10		$ 0.20	

The notes attached are part of the Consolidated Financial Statements and shall be read together.

Chairman: Wong, Ming-Sen Manager: Wong, Ming-Sen Accounting Manager: Pi-yin Yang

CMC Magnetics Corporation and Its Subsidiaries

Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2020 and 2019
Unit: NT$ thousands

		Equity attributable to the owners of parent company										
				Retained earnings		Other equity						
	Notes	Common stock	Capital surplus	Legal reserve	Unappropriated earnings (losses to be compensated)	Exchange differences on translating the financial statements of foreign operations	Unrealized gains or losses on financial assets at fair value through other comprehensive income	Equity directly associated with non-current assets held for sale	Treasury shares	Total	Non-controlling interests	Total equity
2019												
Balance as of January 1, 2019		$ 17,741,264	$ 7,542,770	$ -	($ 5,671,352)	($ 115,422)	($ 179,753)	$ -	($ 251,103)	$ 19,066,404	$ 427,829	$ 19,494,233
Net profit (loss)		-	-	-	228,705	-	-	-	-	228,705	(61,119)	167,586
Other comprehensive income for current period	4(3), 6(3)(13)(24)	-	-	-	12,047	(6,505)	46,037	(23,709)	-	27,870	11,113	38,983
Total comprehensive income for current period		-	-	-	240,752	(6,505)	46,037	(23,709)	-	256,575	(50,006)	206,569
Capital reduction to offset losses	6(21)	(5,671,352)	-	-	5,671,352	-	-	-	-	-	-	-
Treasury stock repurchase	6(21)	-	-	-	-	-	-	-	(72,904)	(72,904)	-	(72,904)
Cancellation of treasury shares	6(21)(22)	(481,100)	157,093	-	-	-	-	-	324,007	-	-	-
Changes in ownership interests in subsidiaries	6(22)	-	355	-	-	-	-	-	-	355	(355)	-
Difference between the equity price of subsidiary actually acquired or disposed of and the book value	6(22)(33)	-	77	-	(23,965)	-	-	-	-	(23,888)	23,888	-
Disposal of equity instruments measured at fair value through other comprehensive income	6(24)	-	-	-	(2,994)	-	2,994	-	-	-	-	-
Changes in non-controlling interests	6(20)	-	-	-	-	-	-	-	-	-	2,959	2,959
Net cash received from non-controlling interests of subsidiaries	6(33)	-	-	-	-	-	-	-	-	-	(97,480)	(97,480)
Net cash paid for non-controlling interests of subsidiaries	6(33)	-	-	-	-	-	-	-	-	-	271	271
Balance as of December 31, 2019		$ 11,588,812	$ 7,700,295	$ -	$ 213,793	($ 121,927)	($ 130,722)	($ 23,709)	$ -	$ 19,226,542	$ 307,106	$ 19,533,648
2020												
Balance as of January 1, 2020		$ 11,588,812	$ 7,700,295	$ -	$ 213,793	($ 121,927)	($ 130,722)	($ 23,709)	$ -	$ 19,226,542	$ 307,106	$ 19,533,648
Net profit		-	-	-	111,073	-	-	-	-	111,073	13,754	124,827
Other comprehensive income for current period	6(3)(24)	-	-	-	(962)	(125,226)	(29,422)	-	-	(155,610)	6,316	(149,294)
Total comprehensive income for current period		-	-	-	110,111	(125,226)	(29,422)	-	-	(44,537)	20,070	(24,467)
Appropriation of earnings for 2019:	6(22)(23)											
Legal reserve		-	-	21,379	(21,379)	-	-	-	-	-	-	-
Cash dividends		-	(57,944)	-	(173,832)	-	-	-	-	(231,776)	-	(231,776)
Changes in ownership interests in subsidiaries	6(22)	-	612	-	-	-	-	-	-	612	(612)	-
Disposal of equity instruments measured at fair value through other comprehensive income	6(24)	-	-	-	861	-	(861)	-	-	-	-	-
Changes in non-controlling interests	6(20)	-	-	-	-	-	-	-	-	-	(903)	(903)
Net cash received from non-controlling interests of subsidiaries		-	-	-	-	-	-	-	-	-	(777)	(777)
Disposal of subsidiaries	6(24)(35)	-	-	-	-	2,025	-	23,709	-	25,734	20,192	45,926
Balance as of December 31, 2020		$ 11,588,812	$ 7,642,963	$ 21,379	$ 129,554	($ 245,128)	($ 161,005)	$ -	$ -	$ 18,976,575	$ 345,076	$ 19,321,651

The notes attached are part of the Consolidated Financial Statements and shall be read together.

Chairman: Wong, Ming-Sen　　Manager: Wong, Ming-Sen　　Accounting Manager: Pi-yin Yang

CMC Magnetics Corporation and Its Subsidiaries

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019
Unit: NT$ thousands

	Notes	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
Cash flows from operating activities			
Profit/(loss) before income tax from continuing operations		$ 229,550	$ 213,679
Pre-tax net loss of discontinued operations		-	(44,086)
Net income before tax for the period		229,550	169,593
Adjustments			
Adjustments for			
Depreciation expenses (including property, plant and equipment, right-of-use assets, and investment properties)	6(9)(10)(1)(28)(30)	787,195	1,145,621
Amortization expenses	6(30)	105,733	82,155
Expected credit impairment losses (gains)	12(2)	108,303	(921)
Interest expenses	6(29)	48,333	36,172
Interest revenue	6(26)	(16,470)	(18,356)
Dividend income	6(27)	(169,347)	(106,276)
Net losses (gains) on financial assets and liabilities at fair value through profit and loss	6(2)(16)(28)	136,476	(325,352)
Share-based payment (benefit) cost	6(20)	(903)	5,051
Share of loss (profit) of associates accounted for using equity method	6(8)	62,997	(106,694)
Gains on disposal of property, plant and equipment	6(9)(28)	(2,287)	(3,507)
Gains on disposal of subsidiaries	6(28)(35)	(231,435)	-
Gains on disposal of investments	6(28)	-	(49,866)
Gains on disposal of non-current assets held for sale	6(13)(28)	(212,335)	-
Financial asset impairment losses	6(28)	-	174
Non-financial asset impairment losses	6(12)(28)	8,407	1,605,033
Gains on lease modification	6(10)	(40)	-
Gains on bargain purchase	6(27)(34)	-	(1,810,471)
Gains on contract modification	6(28)(34)	(133,523)	-
Changes in assets/liabilities related to operating activities			
Net changes in operating assets			
Financial assets mandatorily at fair value through profit or loss		(1,010,566)	(1,425,614)
Notes receivable (including related and non-related parties)		1,348	17,216
Trade receivable (including related and non-related parties)		511,566	43,718
Other receivables		(14,605)	336,770
Inventories		289,206	(11,654)
Other current assets		39,878	(2,952)
Net changes in operating liabilities			
Financial liabilities at fair value through profit or loss		(9,259)	(3,937)
Notes and trade payable		(148,702)	(595,695)
Other payables		(73,590)	(120,522)
Contract liabilities		(149,664)	(7,029)
Other current liabilities		54,933	(20,727)
Decrease in accrued pension liability		(88,658)	-
Cash inflow (outflow) from operating activities		122,541	(1,168,070)
Interest received		16,029	18,098
Dividends received		169,398	212,582
Interest paid		(48,281)	(37,720)
Income tax paidF		(26,277)	(17,371)
Net cash inflow (outflow) from operating activities		233,410	(992,481)

(Continued on the next page)

	Notes	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
Cash flows from investing activities			
Price of acquisition of financial assets mandatorily at fair value through profit or loss		($ 86,449)	($ 1,270,546)
Refund from capital reduction related to financial assets at fair value through other comprehensive income	12(3)	15,021	11,385
Price of acquisition of financial assets mandatorily at fair value through other comprehensive income	12(3)	-	(35,092)
Proceeds from disposal of financial assets at fair value through other comprehensive income	12(3)	-	15,709
Decrease (increase) in financial assets measured at amortized cost		9,004	(195,833)
Acquisition of subsidiaries (less the cash received)	6(34)	-	86,193
Refund from capital reduction related to investments accounted for using the equity method	6(8)	-	8,000
Price of acquisition of property, plant and equipment	6(35)	(65,783)	(13,037)
Proceeds from disposal of property, plant and equipment	6(9)	12,898	7,476
Increase in advance receipt for sale of land and equity (listed as liabilities directly associated with non-current assets held for sale)	6(13)	-	145,200
Proceeds from disposal of non-current assets held for sale	6(13)	394,518	-
Price of acquisition of intangible assets		(50,430)	(31,428)
Decrease in other financial assets		-	136,770
Increase in net cash of disposal of subsidiaries	6(35)	463,989	-
Increase in other non-current assets		(3,654)	(35,811)
Increase in prepayments for equipment (listed in other non-current assets)	6(35)	(104,341)	(212,590)
Net cash inflow (outflow) from investing activities		584,773	(1,383,604)
Cash flows from financing activities			
Increase (decrease) in short-term borrowings	6(36)	153,017	(44,000)
Increase in long-term notes payable	6(36)	200,000	-
Long-term borrowings taking place for current period	6(36)	621,000	1,960,000
Repayment of long-term borrowings for current period	6(36)	(1,051,460)	(2,707,940)
Decrease in other non-current liabilities		(1,592)	(18,429)
Repayment of principal of lease liabilities	6(10)(36)	(81,000)	(66,175)
Cost of repurchase of treasury shares		-	(80,266)
Cash dividends distributed by subsidiaries	4(3)	-	(34,829)
Cash dividends distributed	6(23)	(231,776)	-
Changes in non-controlling interests	6(33)	(777)	(62,380)
Net cash outflow from financing activities		(392,588)	(1,054,019)
Effects of exchange rate changes on the balance of cash held in foreign currencies		(54,908)	61,896
Reclassified to cash and cash equivalents of non-current assets held for sale	6(13)	-	(3,977)
Increase (decrease) in cash and cash equivalents for current period		370,687	(3,372,185)
Cash and cash equivalents, beginning of period		3,327,127	6,699,312
Cash and cash equivalents, end of period		$ 3,697,814	$ 3,327,127

The notes attached are part of the Consolidated Financial Statements and shall be read together.

Chairman: Wong, Ming-Sen Manager: Wong, Ming-Sen Accounting Manager: Pi-yin Yang

CMC Magnetics Corporation and Its Subsidiaries

Notes to the consolidated financial statements

For the Years Ended December 31, 2020 and 2019

Unit: NT$ thousands (Unless specified otherwise)

1. Company History

CMC Magnetics Corporation (hereinafter referred to as the "Company") was incorporated in the Republic of China. The main business items of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") are the manufacturing and sale of consumer electronic products, including optical discs, and the acquisition of film agency rights , and production and distribution of digital discs and Blu-ray discs for sales and rental business. The Company's shares have been listed on the Taiwan Stock Exchange for trading since February 17, 1992.

2. Date and Procedure for Approval of Financial Statements

The consolidated financial statements were approved by the board of directors on March 25, 2021 for release.

3. Application of New and Amended Standards and Interpretations

a. Effect of the adoption of new issuance of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

The following table summarizes new, revised, and amended standards and interpretations endorsed by FSC applicable in 2020:

New, Revised, and Amended Standards and Interpretations	Effective Date Announced by IASB
Amendments to IAS 1 and IAS 8, "Disclosure Initiative - Definition of Materiality"	January 1, 2020
Amendment to IFRS 3 - "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS 39, and IFRS 7 "Changes in Interest Rate Indicators"	January 1, 2020
Amendments to IFRS 16 "Covid-19-Related Rent Concessions"	June 1, 2020 (Note)

Note: The FSC allows early application on January 1, 2020.

The standards and interpretations above have no significant impact on the Group's financial position and financial performance based on the Group's reasonable assessment.

b. Effect of the new issuance of or amendments to IFRSs as endorsed by the FSC but not yet adopted

The following table summarizes the new, revised, and amended standards and interpretations of IFRSs endorsed by the FSC that are applicable in 2021:

New, Revised, and Amended Standards and Interpretations	Effective Date Announced by IASB
Amendments to IFRS 4 "Temporary Exemption from Applying IFRS 9"	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 - “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021

The standards and interpretations above have no significant impact on the Group's financial position and financial performance based on the Group's reasonable assessment.

c. Effects of IFRSs issued by IASB but not yet endorsed by the FSC

The following table sets out the criteria and explanations for the new releases, amendments and revisions of the IFRSs that have been published by the IASB but not yet endorsed by the FSC:

New, Revised, and Amended Standards and Interpretations	Effective Date Announced by IASB
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by the IASB
Amendments to IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 "'Disclosure of Accounting Policies"	January 1, 2023
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023
Amendments to IAS 16 "Property, Plant and Equipment – Proceeds before Intended Use"	January 1, 2022
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022
Annual Improvements to IFRSs 2018-2020 Cycle	January 1, 2022

The Group has assessed that the standards and interpretations above have no significant influence on the Group's financial position and financial performance, except as those indicated below:

1) Amendments to IAS 1 "'Disclosure of Accounting Policies"

The amendments require companies to disclose information about their significant accounting policy information, rather than their significant accounting policies. The amendments clarify how companies can identify significant accounting policy information and examples of assessing if accounting policy information is significant.

2) Amendments to IAS 8 "Definition of Accounting Estimates"

The amendments clarify how companies shall distinguish between changes in accounting policies and changes in accounting estimates. The amendments also make it clear that changes in accounting estimates caused by new information or new developments are not error correction. In addition, the impact of changes in inputs or measurement techniques used to establish accounting estimates is a change in accounting estimates if it is not caused by previous error corrections.

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. Unless otherwise specified, the policies shall be applicable to all reporting periods presented.

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

1) Except for the following significant items, the consolidated financial statements have been prepared on the historical cost basis:

a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

b) Financial assets at fair value through other comprehensive income.

c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

2) The preparation of financial statements has been in conformity with IFRSs, requiring the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

c. Basis of consolidation

1) Principle of preparation of the consolidated financial statements

a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group (including structured entities). The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement in the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control over the subsidiaries.

b) Inter-company transactions, balances, and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries are adjusted, when necessary, to remain consistent with those of the Company.

c) The profit or loss and each component of other comprehensive income is attributed to the owners of the parent company and to the non-controlling interest. Total comprehensive income is also attributed to the owners of the parent company and non-controlling interest even if this results in the non-controlling interests having a deficit balance.

d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, namely transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

e) When the Group loses control over a subsidiary, the Group re-measures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. For all amounts previously recognized in other comprehensive income related to the subsidiary, the accounting treatment is the same as if the Group directly disposes of relevant assets or liabilities, that is, if the benefit or loss previously recognized as other comprehensive income will be reclassified as profit or loss when the relevant assets or liabilities are disposed of, when control over the subsidiary is lost, the gains or loss will be reclassified as profit or loss from equity.

2) Subsidiaries included in the consolidated financial statements:

			Ownership percentage (%)		
Investor	Subsidiary	Nature of business	December 31, 2020	December 31, 2019	Description
The Company	CHC International Investment Corporation	General investment business	100.00	100.00	
The Company	CIA Holding Corp. (CIA)	General investment business	86.35	86.35	
CHC International Investment Corporation	CIA	General investment business	13.65	13.65	
The Company	EMC Investment Holding Ltd. (EMCH)	General investment business	100.00	100.00	
The Company	CMC Movie Corporation (CMC Movie)	Motion picture distribution	100.00	100.00	

The Company	CMC Entertainment Holding Corporation (CMC Entertainment)	Film production and distribution industry	100.00	100.00	
The Company	CMC Entertainment Hub Corporation (CMC Entertainment Hub)	Shopping mall business	100.00	100.00	
The Company	Sun Well Solar Corporation (Sun Well)	Production and sales of thin-film solar cells	98.82	98.82	
CHC International Investment Corporation	Sun Well	Production and sales of thin-film solar cells	0.44	0.44	
The Company	Sun Q Corporation Limited (Sun Q)	Production and sales of solar panels	58.20	58.20	
The Company	Transtouch Technology Inc. (Transtouch)	Production and sales of touch panels	52.60	52.47	
The Company	Asia 1 Entertainment Co., Ltd. (Asia 1 Entertainment)	Production, distribution, rental, and trading of film and audio-visual digital disc products	93.59	93.59	
CMC Entertainment	Asia 1 Entertainment	Production, distribution, rental, and trading of film and audio-visual digital disc products	2.77	2.77	

			Ownership percentage (%)		
Investor	Subsidiary	Nature of business	December 31, 2020	December 31, 2019	Description
The Company	SUMAGH HIGH TECH CORPORATION	Dyeing and finishing of cloth, weaving, processing, and trading of various textiles, as well as manufacturing and trading of electronic products	-	47.10	Note 6
CHC International Investment Corporation	SUMAGH HIGH TECH CORPORATION	Dyeing and finishing of cloth, weaving, processing, and trading of various textiles, as well as manufacturing and trading of electronic products	-	31.41	〃
The Company	Deltamac (Taiwan) Co., Ltd. (Deltamac)	Production, distribution, rental, and sales of film and television products	38.91	38.91	

CHC International Investment Corporation	Deltamac	Production, distribution, rental, and sales of film and television products	18.62	18.62	
CHC International Investment Corporation	Taiwan Net Co. Ltd. (Taiwan Net)	Electronic information supply service and general advertising service business	100.00	100.00	
CHC International Investment Corporation	EV Power Corporation (EV Power)	Automobile rental business	100.00	100.00	
CHC International Investment Corporation	Taiwan Dakang Internet Co., Ltd. (Taiwan Dakang)	Internet-related service business	100.00	100.00	
CMC Entertainment Hub	Com In Dim Corporation (Com In Dim)	Food and beverage	100.00	100.00	
CMC Entertainment Hub	Jing Zhi Zui Co., Ltd. (Jing Zhi Zui)	Food and beverage	100.00	10.00	
SUMAGH HIGH TECH CORPORATION	Jing Zhi Zui	Food and beverage	-	90.00	
CMC Movie	CMC Content Corporation (CMC Content)	Audiovisual business	100.00	100.00	
CIA	Super Net Holding Ltd. (Super Net)	General investment business	100.00	100.00	
CIA	Kinease Investment Ltd. (Kinease)	Real estate development business	100.00	100.00	
EMCH	Media Factory LLC (MFLLC)	General investment business	100.00	100.00	
EMCH	F5 Holdings, Ltd. (F5)	General investment business	100.00	100.00	
EMCH	Zhonghong Packaging Products (Dongguan) Co., Ltd. (Zhonghong Packaging)	Production and sales of plastic boxes, boxes, baskets, and similar products	-	100.00	Note 3
EMCH	Jiangsu Yongxing Electronic Materials Co., Ltd. (Yongxing Electronic)	Production and sales of plastic boxes, boxes, baskets, and similar products	100.00	100.00	
EMCH	Jet-Thai Hi-Tech Co., Ltd.(Jet-Thai)	Production and sales of optical discs	100.00	100.00	
EMCH	Verbatim Japan Ltd. (VJP)	Trading of storage media and electronic products	100.00	100.00	Note 2

			Ownership percentage (%)		
Investor	Subsidiary	Nature of business	December 31, 2020	December 31, 2019	Description
EMC H	Verbatim Americas LLC(VUS)	Trading of storage media and electronic products	-	100.00	Note 4

EMC H	Verbatim Australia Pty. Ltd.(VAU)	Trading of storage media and electronic products	100.00	100.00	〃
EMC H	Verbatim GmbH (VGmbH)	Trading of storage media and electronic products	100.00	100.00	〃
EMC H	Verbatim (Hong Kong) Limited(VHK)	Trading of storage media and electronic products	100.00	100.00	〃
F5	Hotan Corp.(HOTAN)	Trading of optical discs and other electronic products	100.00	100.00	
F5	VUS	Trading of storage media and electronic products	100.00	-	
MFLLC	Fortune (Jiangsu) Multimedia Co., Ltd. Co., Ltd.	Production and sales of optical discs	90.00	90.00	
Fortune (Jiangsu) Electronic Materials Co., Ltd.	Fortune (Jiangsu) Electronic Materials Co., Ltd.	Production and sales of optical discs	7.00	7.00	
MFLLC	Fortune (Jiangsu) Multimedia Co., Ltd. Co., Ltd.	Production and sales of optical discs	49.00	49.00	
SUMAGH HIGH TECH CORPORATION	FJKL Technology (BVI) Corp.(FJKL)	Holding and investment business	-	28.96	Note 1
EMC H	FJKL	Holding and investment business	-	71.04	〃
SUMAGH HIGH TECH CORPORATION	FJKL Technology Corporation (FJKL)	Manufacturing and trading of optoelectronic products	-	100.00	Note 6
Deltamac	Deltamac (Hong Kong) Co.,Ltd (Deltamac (H.K.))	Sales of TV and film program tapes and audio-visual CD products	-	-	Note 5
Deltamac(H.K.)	Clickplay Limited (Clickplay)	Sales of digital audio and video products	-	-	〃
Deltamac(H.K.)	Photopia Workshop Limited(Photopia)	Advertising design and sales agency	-	-	〃

For the subsidiaries mentioned in the above, except for the ones mentioned in Note 1 and Note 3, all of them have been evaluated based on the financial statements audited by CPAs.

Note 1: The liquidation was completed in 2020.

Note 2: It was established in July 2019.

Note 3: One hundred percent of the equity was sold in January 2020, and the control has been lost since the date of sale.

Note 4: The Group acquired 100% of its equity on December 31, 2019, so it is listed as a subsidiary from the date of acquisition.

Note 5: Deltamac (HK), Clickplay and Photopia were resolved to be dissolved by their shareholders' meetings on December 19, 2019, and the dissolution and liquidation process began from that date. Therefore, the Group has lost its control over said companies and ceased to include them in the consolidated financial statements and delisted the relevant assets and liabilities from said statements from that date, while reclassifying the remaining assets that could be obtained to other receivables totaling NT$70,350 according based on the shareholding ratio, and reclassifying the exchange differences on translating the financial statements of foreign operations to exchange losses in the amount of NT$48,736. As of December 31, 2020, the balance of other receivables was NT$67,066.

Note 6: On March 4, 2020, the board of directors resolved to sell the equity, and the settlement was completed on March 5, 2020, over which the Group lost control. Therefore, it was no longer a subsidiary of the Group from December 31, 2020.

3) For subsidiaries above that specialize in investment, due to the adjustment of the Group’s business model, the profit and loss or valuation generated by their investment transactions were listed in the 2020 consolidated statements of comprehensive income as other gains and losses, while listed as operating income and operating costs in the 2019 consolidated statements of comprehensive income; the cash flows of relevant investments are listed under operating activities or investing activities in the consolidated statements of cash flows based on the original investment purpose.

4) Subsidiaries not listed in the consolidated financial statements: N/A.

5) Different adjustments and treatment methods of subsidiaries in the accounting period: N/A.

6) Major restriction: N/A.

7) Subsidiaries with significant non-controlling interests that are material to the Group:

8) The total amount of non-controlling interests of the Group as of December 31, 2020 and 2019 was NT$345,076 and NT$307,106, respectively. The following is information on non-controlling interests and subsidiaries that are material to the Group:

		Non-controlling interests December 31, 2020		Non-controlling interests December 31, 2019	
Subsidiary	Principal Place of Business	Amount	Ownership Percentage	Amount	Ownership Percentage
Transtouch	ROC	$236,119	47.40%	$255,046	47.53%
Deltamac	"	149,910	42.47%	148,512	42.47%

Aggregate financial information of subsidiaries:

Balance Sheet

	Transtouch	
	December 31, 2020	December 31, 2019
Current assets	$ 458,897	$ 489,149
Non-current assets	174,626	212,875
Current liabilities	(95,058)	(111,347)
Non-current liabilities	(86,303)	(104,111)
Total net assets	$ 452,162	$ 486,566

	Deltamac	
	December 31, 2020	December 31, 2019
Current assets	$ 382,613	$ 384,667
Non-current assets	84,597	95,505
Current liabilities	(63,874)	(88,215)
Non-current liabilities	(16,891)	(8,886)
Total net assets	$ 386,445	$ 383,071

Statement of Comprehensive Income

	Transtouch	
	2020	2019
Revenue	$ 326,657	$ 439,169
Net loss before tax	($ 33,310)	($ 8,212)
Income tax benefit	665	1,387
Net loss	(32,645)	(6,825)
Comprehensive income (after tax)	(79)	(388)
Total comprehensive income for current period	($ 32,724)	($ 7,213)
Total comprehensive income attributable to non-controlling interests	($ 16,636)	($ 4,977)
Dividends paid to non-controlling interests	$ -	$ 34,829

	Deltamac	
	2020	2019
Revenue	$ 245,057	$ 316,893
Net income (loss) before tax	$ 2,584	($ 50,953)
Income tax (expenses) benefits	(156)	2,962
Loss from discontinued operations	-	(43,930)
Net profit (loss)	2,428	(91,921)
Other comprehensive income (after tax)	946	(52)
Total comprehensive income for current period	$ 3,374	($ 91,973)
Total comprehensive income attributable to non-controlling interests	$ 1,397	($ 32,265)

Statements of Cash Flows

	Transtouch	
	2020	2020
Net cash inflow from operating activities	$ 10,096	$ 36,799
Net cash outflow from investing activities	(5,102)	(158,151)
Net cash outflow from financing activities	(17,942)	(90,066)
Decrease in cash and cash equivalents for current period	(12,948)	(211,418)
Cash and cash equivalents, beginning of period	142,153	353,571
Cash and cash equivalents, end of period	$ 129,205	$ 142,153

	Deltamac	
	2020	2020
Net cash inflow from operating activities	$ 43,102	$ 67,501
Net cash outflow from investing activities	(1,241)	(75,719)
Net cash outflow from financing activities	(7,647)	(23,845)
Impact of exchange rate changes on cash and cash equivalents	-	(920)
Increase (decrease) in cash and cash equivalents for current period	34,214	(32,983)
Cash and cash equivalents, beginning of period	97,734	130,717
Cash and cash equivalents, end of period	$ 131,948	$ 97,734

d. Foreign currency translation

All items on the financial statements of each entity of the Group are measured at the currency of the principal economic environment in which the entity operates (i.e. functional currency). The consolidated financial statements were expressed in New

Taiwan Dollars, the Company's functional currency.

1) Foreign currency transactions and balances

   a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

   b) Balances of monetary assets and liabilities denominated in foreign currencies are adjusted at the spot exchange rates prevailing at the balance sheet date. Exchange gains or losses arising from such adjustments are recognized in profit or loss

   c) Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value through profit or loss, are translated at the exchange rates prevailing at the balance sheet date, where their translation differences are recognized in profit or loss as part of the fair value gain or loss. Non-monetary assets and liabilities denominated in foreign currencies measured at fair value through other comprehensive income are translated at the exchange rates prevailing at the balance sheet date, where their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the initial transaction dates.

   d) All other foreign exchange gains or losses based on the nature of the transactions are presented in the statement of comprehensive income in the category of "other gains and losses."

2) Translation of foreign operations

   a) The operating results and financial positions of all the Group's entities, associates, and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

      i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

      ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of the period; and

iii. All resulting exchange differences are recognized in other comprehensive income.

b) When the foreign entity partially disposed of or sold is an associate or a joint arrangement, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. However, when the Group retains partial interest in the associate or joint arrangement, after losing significant influence over the former foreign associate or losing joint control over the joint arrangement, such a transaction shall be accounted for as disposal of all interests in the foreign operation.

c) When the foreign operation that is partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interests of the foreign operation. However, if the Group still retains partial interests in the former foreign subsidiary after losing control of the former foreign subsidiary, such a transaction shall be accounted for as disposal of all interests in the foreign operation.

e. Classification of Current and Non-current Assets and Liabilities

1) Assets that meet one of the following criteria are classified as current assets:

a) Assets that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.

b) Assets held primarily for the purpose of trading.

c) Assets that are expected to be realized within twelve months from the balance sheet date.

d) Cash or cash equivalents, excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date.

The Group classifies assets not meeting the aforesaid criteria into non-current assets.

2) Liabilities that meet one of the following criteria are classified as current liabilities:

a) Liabilities that are expected to be settled within the normal operating cycle.

b) Assets held primarily for the purpose of trading.

c) Liabilities that are expected to be settled within 12 months after the balance sheet date.

d) Liabilities with a repayment deadline that cannot be unconditionally deferred for at least 12 months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies liabilities not meeting the aforesaid criteria into non-current liabilities.

f. Cash equivalents

Cash equivalents refer to investments that are short-term, highly liquid, subject to a low risk of changes in value, and readily convertible to a known amount of cash. Time deposits satisfying the afore-mentioned definition and for which the objective of holding is to meet the short-term operating cash commitment are classified as the cash equivalent.

g. Financial assets at fair value through profit or loss (FVTPL)

1) Financial assets that are not measured at amortized cost or at fair value through other comprehensive income (FVTOCI).

2) Regular way purchases and sales of financial assets at FVTPL are accounted for on the trade date.

3) The Group's initial recognition is on a fair value basis, with relevant transaction costs recognized in profit or loss, and subsequently at fair value, and gains or losses thereof are recognized in profit or loss.

4) When the right to receive dividends is established, the future economic benefits related to dividends may flow to the Group, and when the amount of dividends can be reliably measured, the Group recognizes dividend income in profit or loss.

h. Financial assets at fair value through other comprehensive income (FVTOCI)

1) Refers to the irrevocable election made at initial recognition that allows the Group to present fair value changes of equity investment not held for trading in other comprehensive income; or debt investment that meets all the criteria simultaneously:

   a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.

   b) The contract terms of the financial asset generate cash flow on a specific date, which is entirely to pay for the interest on the principal and the amount of principal outstanding.

2) The Group's financial assets measured at FVTOCI in accordance with trading conventions are accounted for on the trade date.

3) At initial recognition, the Group measures the financial assets at fair value plus transaction costs, and subsequently measures the financial assets at fair value:

a) Any changes in the fair value of equity instruments are recognized in other comprehensive income, while subsequently accrued benefits or losses previously recognized in other comprehensive income are not then reclassified to profit or loss, but are transferred to retained earnings. The Group recognizes the dividend income in profit or loss when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be measured reliably.

b) The changes in fair value of debt instruments are recognized in other comprehensive income. Before derecognition, impairment loss, interest revenue, and gain or loss on foreign exchange are recognized in profit or loss. Upon derecognition, the accumulated gains or losses previously recognized in other comprehensive income are reclassified from equity to profit or loss.

i. Financial assets at amortized cost

1) Financial assets at amortized cost are those that meet all of the following criteria:

a) The financial assets are held under a business model for the purpose of collecting contractual cash flows.

b) The contract terms of the financial asset generate cash flow on a specific date, which is entirely to pay for the interest on the principal and the amount of principal outstanding.

2) The Group's financial assets measured at amortized cost in accordance with trading conventions are accounted for on the trade date.

3) At initial recognition, the Group measures the financial assets at fair value plus transaction costs, and subsequently adopts the effective interest method to recognize said assets in interest revenue and in impairment loss during the outstanding period according to the amortization procedure. During derecognition, the gains or losses thereof are recognized in profit or loss.

4) The Group’s time deposits which do not meet the condition of cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

j. Trade receivable and notes receivable

1) Trade receivable and notes receivable are accounts and notes of which the contractual right to consideration for goods sold or services rendered is unconditional.

2) These include interest-free short-term trade and notes receivables, where the effect of discounting is not material, and the Group measures the receivable by the original invoice amount.

3) The Group's operating pattern of trade receivable that are expected to be factored is for the purpose of selling, and the trade receivable are subsequently measured at fair value, with any changes in fair value, recognized in profit or loss.

k. Impairment of financial assets

Considering all reasonable and corroborative information (including forward-looking one), the Group measures the credit risk through investment in equity instruments measured at FVTOCI, financial assets at amortized cost, and trade receivable that contain significant financial components at each balance sheet date. If the credit risk has not increased significantly since the initial recognition, the loss allowance is measured based on the 12-month expected credit loss. In the case of a significant increase in the credit risk since the initial recognition, the loss allowance is measured based on the lifetime expected credit loss. For trade receivable that do not contain significant financial components, the loss allowance is measured based on the lifetime expected credit loss.

l. Derecognition of financial assets

The Group derecognizes a financial asset when one of the following conditions is met:

1) The contractual rights to receive the cash flows from the financial asset expire.

2) The contractual rights to receive cash flows of the financial asset have been transferred, and substantially all risks and rewards of ownership of the financial asset have been transferred.

3) The contractual rights to receive cash flows of the financial asset have been transferred; and the control over the financial asset has not been retained.

m. Inventories

Inventories are measured at cost and net realizable value, whichever is lower. The cost of the storage media department is calculated by the moving average method, and the other departments are calculated by the weighted average method. The cost of finished goods and work-in-process comprises raw materials, direct labor, other direct costs, and relevant production overheads (allocated based on normal operating capacity) without including borrowing costs. The item by item approach is employed when evaluating the lower of costs and net realizable value. Net realizable value is the balance of estimated selling price in the ordinary course of business less the estimated cost of completion and applicable variable selling expenses.

n. Non-current assets held for sale

When the carrying amount of a non-current asset is mainly recovered through a sale transaction rather than continuing use, and it is highly likely to be sold, it is classified as an asset held for sale and measured at the lower of its carrying amount or fair value less the cost of sale.

o. <u>Investments accounted for using equity method- associates</u>

1) Associates are all entities over which the Group has significant influence without control. In general, it is an entity, in which at least 20% of its voting shares are directly or indirectly held by the Group. Investments in associates are accounted for using the equity method and are initially recognized at cost.

2) The Group's share of profit or loss on its associates after acquisition is recognized in profit or loss, and its share of other comprehensive income after acquisition is recognized in other comprehensive income. When the Group's share of losses on an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

3) When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the change in ownership interests in the associate in "capital surplus" in proportion to its ownership.

4) Unrealized gains or losses on transactions between the Group and its associates are eliminated in proportion to the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associates have been adjusted as necessary, and are consistent with the policies adopted by the Group.

5) Where an associate issues new shares and the Group does not subscribe for or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but still maintains significant influence on the associate, the "capital surplus" and "investments accounted for using the equity method" shall be adjusted for the increase or decrease in the net value of the equity. Where its investment proportion decreases, in addition to the adjustments above, the profit or loss previously recognized in other comprehensive income due to decrease in its ownership interest and the profit or loss to be reclassified to profit or loss during the disposal of assets or liabilities shall be reclassified to profit or loss based on the proportion of decrease.

6) Upon loss of significant influence over an associate, the Group shall remeasure the remaining investment retained in the former associate at its fair value. Any difference between the fair value and the carrying amount is recognized in profit or loss for the period.

7) When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss,

on the same basis as would be required if the relevant assets or liabilities were disposed of by the Group directly. That is, if the gains or losses previously recognized as other comprehensive income will be reclassified as profit or loss when the relevant assets or liabilities are disposed of, when the loss has a significant impact on the associate, the gains or losses are reclassified from equity to profit or loss. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

8) When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, said amounts are transferred to profit or loss in proportion to the percentage of disposal.

p. <u>Property, plant and equipment</u>

1) Property, plant, and equipment are initially recognized in cost. Borrowing costs incurred during the construction period are capitalized.

2) Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the part replaced shall be derecognized. All other amount of repairs and maintenance are recognized as profit or loss during the financial period in which they are incurred.

3) Except for land which is not depreciated, other property, plant, and equipment are subsequently measured using the cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If the components of property, plant and equipment are significant, they shall be separately depreciated.

4) The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8 "Accounting Policies, Changes in Accounting Estimates, and Errors," from the date of the change. Useful lives of property, plant and equipment are as follows:

Buildings and structures	2–50 years
Machinery and equipment	2–11 years
Others	1–25 years

q. Lease transactions with lessees—right-of-use assets / lease liabilities

1) Leased assets are recognized as right-of-use assets and lease liabilities on the date when they are available for use by the Group. When the lease contract is a short-term lease or lease of a low-value asset, the lease payments are recognized as an expense on a straight-line basis over the lease term.

2) Lease liabilities are recognized at the present value of the unpaid lease payments at the beginning of the lease at the discounted interest rate of the Group's incremental borrowings. Lease payments are fixed payments after deducting any lease incentives that can be collected. The lease liability is measured at amortized cost using the effective interest method subsequently, and the interest expense is recognized during the lease period. When a non-contractual modification causes a change in the lease term or lease payment, the lease liability will be reassessed and remeasured to adjust the right-of-use asset.

3) The right-of-use asset is recognized at cost at the lease commencement date. The cost comprises:

   a) The originally measured amount of lease liabilities; and

   b) Lease payments made at or before the commencement of the lease;

   c) Any original direct costs incurred; and

   d) The estimated cost of dismantling, removing an underlying asset, and restoring its location, or restoring the underlying asset to the state required in the terms and conditions of the lease.

   In the subsequent measurement in which the cost model in adopted, depreciation expenses are recognized at the earlier of the expiration date of the useful life of the right-of-use asset or the lease term. When the lease liability is reassessed, the remeasurement of the lease liability will be adjusted for the right-of-use asset.

r. Investment property

An investment property is recognized initially at cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 10–50 years.

s. Intangible assets

1) The cost of purchasing video copyrights for the distribution of digital discs and Blu-ray discs and other products is recognized based on the acquisition cost. The cost is based on the estimated distribution rights and quantity of individual films, and the relevant copyright costs are classified to inventories and leased assets at the time of

distribution. At the end of the period, whether the recoverable amount of films is lower than the unamortized film cost is evaluated. When the cost is higher than the recoverable amount, it will be recognized as valuation loss, and the recoverable amount will be recognized as the new cost.

2) Trademark and franchise

Trademarks and franchises obtained separately are recognized at the cost of acquisition, and trademarks and franchises obtained as a result of a business combination are recognized at their fair value on the acquisition date. Trademarks and franchise rights are assets with a limited useful life, which are amortized based on the remaining useful life of 3 to 5 years on the straight-line basis.

3) The royalties paid for obtaining the patents are amortized based on the estimated useful years or the contract period.

4) Computer software is recognized at the cost of acquisition and amortized by the straight-line method based on the estimated or economic life on the contract.

t. <u>Other assets - office ornaments (listed in other non-current assets-others)</u>

Antiques purchased, such as oil paintings and sculptures displayed in the company, are recognized at the cost of acquisition, and is not depreciated; however, the cost will be written off when the actual disposal is carried out.

u. <u>Impairment of non-financial assets</u>

1) The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount refers to the fair value of an asset less the cost of disposal or its value in use, whichever is higher. Except for goodwill, when circumstances contributed to the recognition of impairment loss of an asset in the previous period do not exist or are decreased, the recognized impairment loss is reversed to the carrying amount of an asset to the extent that it does not exceed the carrying amount (net of depreciation and amortization) if the impairment loss had not been recognized.

2) Goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use shall be regularly estimated for their recoverable amounts. An impairment loss is recognized when the amount of an asset’s carrying amount exceeds its recoverable amount. The impairment loss for impairment of goodwill will not be reversed in subsequent years.

3) Goodwill is allocated to cash-generating units for the purpose of impairment testing.

This allocation is based on the judgment of the operating units, and the goodwill is allocated among cash-generating units or groups that are expected to benefit from goodwill generated from business combinations.

v. Borrowings

1) Borrowings comprise long-term and short-term borrowings from banks. When the initial recognition of Group's borrowings is based on its fair value less transaction cost, for any subsequent difference between the price and redemption value after deducting transaction costs, interest expenses are recognized by the effective interest method during the outstanding period in profit or loss.

2) Fees paid on the establishment of borrowing facilities are recognized as transaction costs of the borrowing to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. When there is no evidence of the possibility that some or all the facility will be drawn down, the fee is recognized as a prepayment and amortized over the period of the facility to which it relates.

w. Trade and notes payables

1) Trade and notes payables refer to the debts incurred by purchase of raw materials, goods, or services on credit, and the notes payables incurred from both operating and non-operating activities.

2) The non-interest-bearing short-term notes and trade payable are measured at initial invoice amount as the effect of discounting is immaterial.

x. Financial liabilities at fair value through profit or loss

1) Financial liabilities that are mainly for sale or repurchase in the short-term, and are held for trading except for derivatives other than those designated as hedging instruments based on hedge accounting.

2) The Group recognizes the fair value of the relevant transaction costs on initial recognition, and the transaction costs are recognized in profit or loss, and the gains or losses are recognized in profit or loss.

y. Derecognition of financial liabilities

The Group derecognizes a financial liability when the obligation under the contract is performed, canceled, or expires.

z. Non-hedging derivatives

Non-hedging derivatives are initially measured at the fair value on the date when a contract is signed and recognized as financial assets or liabilities at FVTPL. Subsequently, they are measured at fair value with gains or losses recognized in profit or loss.

aa. Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation at the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The amortization of discount is recognized as interest expense. Future operating losses shall not be recognized as provisions.

bb. Employee benefits

1) Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid and shall be recognized as expense in the period when the employees render service.

2) Pension

a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

b) Defined benefit plans

i. The net obligation under a defined benefit plan is calculated by discounting the amount of future benefits earned by employees for the services rendered in the current or the prior periods, and the amount recognized is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is computed by independent actuaries every year using the projected unit credit method. The discount rate employed is by reference either to the market yields on high quality corporate bonds of which the currency and duration are consistent with the currency and duration of the defined benefit plan, or to the market yields on government bonds (at the balance sheet date) in countries where there is no deep market for high quality corporate bonds.

ii. The remeasurement amount generated by the defined benefit plan is recognized in other comprehensive income in the current period and presented in retained earnings.

iii. Expenses related to past service costs are immediately recognized in profit or loss.

3) Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company’s decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognizes expenses when it is no longer able to withdraw the offer of termination benefits or when the relevant restructuring costs are recognized, whichever is earlier. The benefits that are not expected to be fully settled 12 months after the balance sheet date shall be discounted.

4) Remuneration of employees and directors

Remuneration of employees and directors are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligations and those amounts can be reliably estimated. Any difference between the actual amount resolved to be distributed and the estimated amount will be treated as a change in accounting estimates. If employee remuneration is paid in shares, the Group calculates the number of shares based on the closing price on the previous day of the resolution made by the board of directors.

cc. Employee share-based payments

1) In the share-based payment agreement for equity delivery, the employees' services obtained are measured at fair value of the equity given on the grant day, and it is recognized as a remuneration cost, and the equity is adjusted relatively during the vesting period. The fair value of the equity instruments granted shall reflect the effect of market vesting conditions and non-market vesting conditions. Remuneration cost recognized is subject to adjustment based on the service conditions that are expected to be satisfied and the amount of rewards under non-market vesting conditions. The amount of remuneration cost ultimately recognized is based on the number of equity instruments that are eventually vested at the vesting date.

2) New restricted employee shares

a) Remuneration costs recognized in the vesting period on the basis of the fair value of the equity instruments granted on the grant date.

b) Those restricted stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognizes the fair value of the dividends received by the employees who are expected to resign during the vesting period as remuneration cost at the date of dividends declared.

c) Employees must pay the respective price to obtain new shares with restricted employee rights, and if an employee leaves the Company during the vesting period, the employee shall return the share, then the Company must also refund the price, and the part of the price paid by the employee who is expected to leave employment within the vesting period on the grant date is recognized as liabilities, and the portion of the price paid by the employee who is expected to be ultimately vested is recognized as "capital surplus- others".

dd. Income tax

1) The tax expense for the period comprises current and deferred income taxes. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

2) The Group calculates the current income tax based on the tax rate enacted in laws or substantively enacted in laws at the balance sheet date in the country where the taxable income is generated and the operations occur. The management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. For the income tax levied on the unappropriated retained earnings in accordance with the Income Tax Act, it will be recognized as income tax for unappropriated retained earnings based on the actual distribution of earnings after the earnings distribution proposal is adopted at the shareholders' meeting in the year following the year in which said earnings are generated.

3) Deferred income tax is recognized, using the balance sheet liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred income tax liabilities from goodwill arising from initial recognition are not recognized. If the deferred income tax is derived from initial recognition of an asset or liability in a transaction (excluding business combinations), and if the accounting profit or taxable income (taxable loss) is not affected at the time of the transaction, then the liabilities will not be recognized. With temporary differences caused by the investment in subsidiaries, if the Group can control the timing of the reversal of the temporary differences, and it is probable that temporary differences will not be reversed in the foreseeable future, the liabilities will not be recognized. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet

date and are expected to apply when the relevant deferred income tax asset is realized or the deferred income tax liability is settled.

4) Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are re-assessed.

5) Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis, or realize the asset and settle the liability, simultaneously.

ee. <u>Share capital</u>

1) Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are listed in equity as a deduction, net of tax, from the proceeds.

2) Where the Company repurchases the Company's shares that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's shareholders. Where such shares are subsequently reissued, the difference between their carrying amount and any consideration received, net of any directly attributable incremental costs and the relevant income tax effects, is recognized as adjustment to equity attributable to the Company’s shareholders.

ff. <u>Dividend allocation</u>

Dividends are recognized in the Company’s financial statements in the period in which they are approved to be distributed as resolved by the Company’s shareholders' meeting. Cash dividends are recognized as liabilities. Stock dividends are recognized as stock dividends to be allocated and reclassified to ordinary shares on the record date of issue of new shares.

gg. Revenue recognition

Sales

1) The Group mainly manufactures and sells consumer electronic products, such as optical discs. Sales revenue is recognized when the control of the product is transferred to a customer, that is, when goods are delivered to the customer, the customer has the discretion to sell the goods and set the price, and the Group has no

outstanding performance obligations that may affect the customers' acceptance of the goods. When goods are shipped to a designated location, the risk of obsolescence and lost has been transferred to the customer, and the customer is required to accept the goods in accordance with the sales contract, or when there is objective evidence that all acceptance criteria have been met, the goods are delivered.

2) The sales of the goods are recognized at the contract price, and the amount of sales revenue recognized is limited to the part where it is highly likely that there will not be a major reversal in the future. The payment terms for sales are usually 30 to 180 days after the date of shipment. Because the time interval between the transfer of the promised goods or services to the customer and the customer's payment did not exceed one year, the Group did not adjust the transaction price to reflect the time value of money.

3) Trade receivable is recognized when goods are delivered to customers because at which time the Group's right to the consideration for contracts from customers is unconditional, except for the passage of time.

4) The sales policies of some of the Group's subsidiaries allow customers to return goods. Therefore, the Group recognizes products that are expected to be returned as the refund liabilities and the right to recover goods (listed in other current assets). The estimation of sales returns is based on historical experience and the expected value method to estimate such returns at the time of sale. The number of returned goods has been stable over the years, so it is highly probable that the accumulated revenue recognized, based on the assessment, will not undergo a major reversal. Subsequently, the validity of the assumptions is re-evaluated at each balance sheet date, and the estimated refund amount is updated.

hh. Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Company will comply with any conditions attached to the grants and the grants will be received. Government grants to compensate the Group's expense are recognized as profit or loss on a systematic basis in the period in which the expense occurs.

ii. Acquisition transactions

1) The Group uses the acquisition method to account for acquisitions. The acquisition consideration is calculated on the basis of the assets transferred, liabilities generated or assumed, and the fair value of equity instruments issued. The consideration transferred includes the fair value of any asset and liability as a result of contingent consideration agreements. The costs associated with the acquisition are recognized as expenses when incurred. The identifiable assets and liabilities acquired through acquisition transaction shall be measured at fair value on the acquisition date.

2) If the consideration transferred exceeds the fair value of the identifiable assets acquired and liabilities assumed, it shall be recognized as goodwill on the acquisition date; if the fair value of the identifiable assets acquired and liabilities assumed exceeds the transferred consideration, the difference shall be recognized as the current profit or loss on the acquisition date.

jj. Operating segments

The Group’s information on operating segments is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources to the operating segments and assessing their performance, which has been identified as the board of directors that makes decisions about the Group’s major operating decisions.

5. Critical Accounting Judgments, Assumptions, and Key Sources of Estimation Uncertainty

During the preparation of the consolidated financial statements, the management has exercised its judgments to adopt the accounting policies to be used, and made accounting estimates and assumptions based on reasonable expectations of future events with reference to the circumstances at the balance sheet date. If there is any difference between any critical accounting estimates and assumption made and actual results, assessment and adjustment will be conducted continuously by taking into account the historical experience and other factors. Such assumptions and estimates have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year. Please refer to the description of the uncertainties of critical accounting judgments, assumptions, and estimation uncertainty below:

a. Critical judgments for applying the Group's accounting policies

N/A.

b. Critical accounting estimates and assumptions

1) Estimated impairment of tangible assets and intangible assets other than goodwill

The Group assesses impairment based on its subjective judgment and determines the separate cash flows of individual groups of assets, useful lives of assets, and the future possible income and expenses arising from the assets depending on how assets are utilized and industrial characteristics. Any changes in economic position or in the estimates due to the Group's strategy might cause material impairment of assets in the future.

2) Inventory valuation

As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories at balance sheet date based on judgments and estimates. With the rapid advancement of technology, the Group evaluates the amounts of normal inventory consumption, obsolescence, or inventories without market selling value at the balance sheet date, and writes down the cost of inventories to the net realizable value. The valuation of the inventories is mainly determined based on the future product demand within a specific time period, which may cause a material change.

6. Description of Significant Accounting Titles

a. Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand and petty cash	$ 3,652	$ 3,100
Checks and demand deposits	2,968,974	3,123,330
Time deposit	677,711	183,442
Bank acceptance bill	47,477	2,260
Bonds with repurchase agreement	-	14,995
	$ 3,697,814	$ 3,327,127

1) The Group deals with financial institutions with high credit ratings. The Group also deals with various financial institutions at the same time to diversify credit risks. Therefore, the expected risk of default is rather low.

2) The Group has classified the cash and cash equivalents for borrowings and customs deposits into financial assets measured at amortized cost - current. Please refer to Note 8 for details.

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

Items	December 31, 2020	December 31, 2019
Current items:		
Financial assets mandatorily at fair value through profit or loss		
Listed stocks	$ 4,003,567	$ 3,754,737
Beneficiary certificates	78,335	158,552
Derivative instruments	301	-
	4,082,203	3,913,289
Adjustment to valuation	104,708	208,800
	$ 4,186,911	$ 4,122,089

Non-current items:		
Financial assets mandatorily at fair value through profit or loss		
Listed stocks	$ 2,599,320	$ 1,556,061
Beneficiary certificates	428,312	428,312
Principal-protected film investment agreements	20,866	30,685
Privately offered funds	9,047	-
	3,057,545	2,015,058
Adjustment to valuation	39,933	156,782
	$ 3,097,478	$ 2,171,840
Prepaid investment (listed in other current assets - others)		
Stocks listed in emerging stock markets	$ 3,000	$ -

1) The details of financial assets at FVTPL recognized in profit or loss are as follows:

	2020	2019
Financial assets mandatorily at FVTPL (Note)	($ 132,481)	$ 276,278
Equity instruments	(2,360)	50,625
Beneficiary certificates	15,881	2,386
Derivative instruments	($ 118,960)	$ 329,289

Note: Presented in the statements of comprehensive income as follows:

	2020	2019
Operating revenue		
Investment income from securities held for operations	$ -	$ 246,541
Other gains and losses		
Financial assets at fair value through profit or loss (FVTPL)		
Net (loss) Profit	(118,960)	82,748
	($ 118,960)	$ 329,289

2) The information on the contracts of transactions of non-hedging derivative financial assets is as follows:

	December 31, 2020	
Derivative financial assets	Contract amount (notional principal)	Contract period

Current items:

Foreign exchange forward contract- buy NTD and sell USD	US$10,100 thousand	2020.12.11–2021.03.25

The foreign exchange forward transactions made by the Group are forward transactions, in which foreign currencies are pre-sold, for the purpose of avoiding the exchange rate risk of import and export prices, without hedging accounting applied.

3) For the situation in which the Group has pledged financial assets at FVTPL as collateral, please refer to Note 8 for details.

4) Regardless of the collateral held and other credit enhancements, the maximum amount of the exposure to the credit risk arising from the Group's financial assets at FVTPL is the carrying amount.

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

Items	December 31, 2020	December 31, 2019
Non-current items:		
Equity instruments		
Unlisted stocks	$ 373,784	$ 399,617
Adjustment to valuation	(4,297)	27,579
	$ 369,487	$ 427,196
Prepaid long-term investment (listed in other non-current assets)		
Unlisted stocks	$ 118	$ -

1) The Group has elected to classify equity instrument investments that are strategic investments as financial assets at FVTOCI. The fair values of these investments as of December 31, 2020 and 2019 were NT$369,487 and NT$427,196, respectively.

2) The breakdown of financial assets at FVTOCI recognized in comprehensive income is as follows:

	2020	2019
Equity instruments at FVTOCI		
Changes in fair value recognized in other comprehensive income	($ 29,422)	$ 46,037
Accumulated losses reclassified to retained earnings due to derecognition (losses to be compensated)	($ 861)	$ 2,994
Dividend income recognized in profit or loss		
At end of current period	$ 6,990	$ 3,661

3) As of December 31, 2020 and 2019, regardless of the collateral held and other credit enhancements, the maximum amount of the exposure to the credit risk arising from the Group's financial assets at FVTOCI is the carrying amount.

4) The Group did not pledge financial assets at FVOCI as collateral.

d. Financial assets at amortized cost

Items	December 31, 2020	December 31, 2019
Current items:		
Time deposit	$ 241,471	$ 234,114
Restricted demand deposit	5,935	-
Restricted time deposit	9,600	24,600
	$ 257,006	$ 258,714
Non-current items:		
Foreign financial bonds	$ 8,673	$ 8,615
Restricted time deposit	7,525	16,777
	$ 16,198	$ 25,392

1) Bank time deposits as well as restricted demand and time deposits with the original maturity date of more than 3 months.

2) The breakdown of financial assets measured at amortized cost recognized in profit or loss is as follows:

	2020	2019
Interest revenue	$ 2,135	$ 1,219

3) As of December 31, 2020 and 2019, regardless of the collateral held and other credit enhancements, the maximum amount of the exposure to the credit risk arising from the Group's financial assets at amortized cost (including current and non-current) is the carrying amount.

4) For the situation in which the Group has pledged financial assets at amortized cost as collateral, please refer to Note 8 for details.

e. Notes and trade receivable

	December 31, 2020	December 31, 2019
Notes receivable	$ 4,266	$ 6,872
Less: Allowance for loss	(30)	(86)
	$ 4,236	$ 6,786
Trade receivable	$ 1,908,606	$ 2,474,963
Less: Allowance for loss	(206,281)	(118,495)
	$ 1,702,325	$ 2,356,468

1) The aging analysis of trade and notes receivable (including related parties) is as follows:

	December 31, 2020		December 31, 2019	
	Trade receivable	Notes receivable	Trade receivable	Notes receivable
Not past due	$1,409,462	$ 4,266	$1,857,760	$ 6,872
Overdue for less than 30 days	113,811	-	253,000	-
Overdue for 31–60 days	30,518	-	81,306	-
Overdue for 61–90 days	12,294	-	44,522	-
Overdue for 91–180 days	70,812	-	168,260	-
Overdue for 181 or more	271,709	-	70,115	-
	$1,908,606	$ 4,266	$2,474,963	$ 6,872

The aging analysis above is based on the number of days overdue.

2) The balances of notes and trade receivable (including related parties) as of December 31, 2020 and 2019 were all generated from customer contracts, and the balance of the notes and trade receivable from customer contracts (including related parties) and allowance for loss as of January 1, 2019 were NT$1,473,828 and NT$57,361, respectively.

3) As of December 31, 2020 and 2019, regardless of the collateral held and other credit enhancements, the maximum amount of the exposure to the credit risk arising from the Group's notes and trade receivable (including related parties) is the carrying amount.

4) 4The Group did not pledge notes and trade receivable as collateral.

5) Please refer to Note 12(2) for details of the information on the credit risk of trade and notes receivable.

f. Financial asset transfer

The Group signed a trade receivable factoring contract with Taipei Fubon Bank. According to the contract, the Group does not have to bear the risk of default over the transferred trade receivable but only the loss from business disputes. As the Group did not have any continuous involvement in these transferred trade receivable, the Group derecognized these transferred trade receivable. Information on outstanding receivables is as follows:

Unit: NT$ thousands

December 31, 2020

Factor	Amount of trade receivable in factoring	Amount derecognized	Amount of advance received	Amount of remaining advance available	Interest rate range of advance
Taipei Fubon Bank	USD 1,034	USD 1,034	USD-	USD 3,000	-

Unit: NT$ thousands

	December 31, 2019				
Factor	Amount of trade receivable in factoring	Amount derecognized	Amount of advance received	Amount of remaining advance available	Interest rate range of advance
Taipei Fubon Bank	USD 2,270	USD 2,270	USD-	USD 9,000	-

As of December 31, 2020 and 2019, the Group's retained amount in the trade receivable transferred through factoring was NT$27,846 and NT$67,968, respectively, which have been reclassified to other receivables.

g. Inventories

	December 31, 2020	December 31, 2019
Raw materials	$ 362,888	$ 572,578
Work-in-progress	11,319	39,783
Finished goods	1,688,611	1,886,576
Merchandise inventory	525,081	513,779
Inventory in transit	208,745	80,799
	$ 2,796,644	$ 3,093,515

1) The Group's inventory cost recognized as an expense for the current period:

	2020	2019
Cost of inventories sold	$ 7,416,788	$ 5,548,285
Unamortized fixed production overheads	69,225	292,917
Valuation losses (gains on recovery)	(99,079)	161,837
Warranty cost	11,111	-
Others	(411)	(118)
Less: Operating cost of discontinued operations (Note)	-	(76,155)
	$ 7,397,634	$ 5,926,766

Note: Please refer to Note 6(13)2 for details.

2) The Group recognized gains on recovery for 2020 because of the sale of inventories that had been recognized as inventory valuation losses in prior years.

h. Investments accounted for using the equity method

1) The details of investments accounted for using the equity method are as follows:

	2020	2019
January 1	$ 463,760	$ 469,743
Disposal of investments accounted for using the equity method (Note 1)	(2,295)	-
Share of profit or loss on investments accounted for using the equity method (Note 2)	(62,997)	106,694
Refund from capital reduction related to investments accounted for using the equity method	-	(8,000)
Earnings distributed from investments accounted for using the equity method	(96,838)	(106,308)
Credit balance of investments accounted for using the equity method	270	(1,895)
Reclassified to other non-current liabilities	(1,097)	3,526
Changes in other equity (see Note 6(24))	$ 300,803	$ 463,760
December 31		

Note 1: Sixty-seven percent of the equity of SUMAGH had been sold in March 2020, and the Group has lost control over it since the date of sale, and has also lost significant influence on its investment using the equity method. Please refer to Note 6(35)2 for details.

Note 2: Please refer to Note 4 (3) 3 for the judgment of the classification of the investment profit and loss share table using the equity method.

Name of associates	December 31, 2020	December 31, 2019
Vie Show Cinemas Co., Ltd. (Vie Show Cinemas)	$ 299,554	$ 459,651
Absecon Taiwan Ltd. (Absecon Taiwan) (Note)	-	2,295
Sun Biotech Limited (Sun Biotech)	(7,743)	(7,473)
Hero's Journey Co., Ltd. (Hero's Journey)	190	731
The Tag a long, LLC (The Tag a long)	1,059	1,083
Add: Credit balance of investments accounted for using the equity method reclassified to "other non-current liabilities"	7,743	7,473
	$ 300,803	$ 463,760

Note: Please refer to Note 6(8)1 and Note 1 for details.

2) The aggregate information on the operating results of the associates that are not individually material of Group is as follows:

	2020	2019
Current net profit (loss)	($ 212,561)	$ 355,759
Other comprehensive income (after tax)	(3,209)	6,701
Total comprehensive income for current period	($ 215,770)	$ 362,460

3) The Investments accounted for using the equity method as of December 31, 2020 and 2019 was evaluated based on each investee's financial statements audited by CPAs.

i. Property, plant and equipment

	2020								
		Buildings and structures			Machinery and equipment				
	Land	For self-use	For leasing	Subtotal	For self-use	For leasing	Subtotal	Others	Total
January 1									
Cost	$ 2,342,146	$ 3,636,116	$ -	$ 3,636,116	$ 26,631,484	$ -	$ 26,631,484	$ 1,264,379	$ 33,874,125
Accumulated depreciation and impairment	-	(1,694,005)	-	(1,694,005)	(24,884,229)	-	(24,884,229)	(966,878)	(27,545,112)
	$ 2,342,146	$ 1,942,111	$ -	$ 1,942,111	$1,747,255	$ -	$1,747,255	$ 297,501	$6,329,013
January 1	$ 2,342,146	$ 1,942,111	$ -	$ 1,942,111	$1,747,255	$ -	$1,747,255	$ 297,501	$6,329,013
Additions	997	54	-	54	4,293	-	4,293	60,531	65,875
Disposal of subsidiary (Note 1)	-	-	-	-	(112)	-	(112)	(585)	(697)
Disposal	(3,162)	(1,263)	-	(1,263)	(4,657)	-	(4,657)	(1,931)	(11,013)
Reclassification (Note 2)	(2,124)	(205,523)	24	(205,499)	113,196	1,728	114,924	(50,781)	(143,480)
Depreciation expenses		(72,604)	(24)	(72,628)	(525,377)	(1,149)	(526,526)	(85,060)	(684,214)
Reclassified to non-current assets held for sale (Note 4)	-	(4,810)	-	(4,810)	-	-	-	-	(4,810)
Net exchange difference	(6)	(2,543)	-	(2,543)	763	-	763	(1,354)	(3,140)
December 31	$ 2,337,851	$ 1,655,422	$ -	$ 1,655,422	$1,335,361	$ 579	$1,335,940	$ 218,321	$5,547,534
December 31									
Cost	$ 2,337,851	$ 3,024,406	$ 24	$ 3,024,430		$ 1,728		$ 926,991	
Accumulated depreciation and impairment	-	(1,368,984)	(24)	(1,369,008)	(20,360,854)	(1,149)	(20,362,003)	(708,67)	(22,439,681)
	$ 2,337,851	$ 1,655,422	$ -	$ 1,655,422	$1,335,361	$ 579	$1,335,940	$ 218,321	$5,547,534

	2019				
	Land	Buildings and structures	Machinery and equipment	Others	Total
January 1					
Cost	$ 2,437,400	$4,265,677	$27,882,097	$1,232,195	$35,817,369
Accumulated depreciation and impairment	-	(2,013,456)	(23,853,893)	(1,049,685)	(26,917,034)
	$ 2,437,400	$2,252,221	$4,028,204	$ 182,510	$8,900,335
January 1	$ 2,437,400	$2,252,221	$4,028,204	$ 182,510	$8,900,335
Additions	-	-	5,487	10,487	15,974
Acquisition through acquisition transaction (Note 3)	-	-	85,850	106,654	192,504
Disposal	-	-	(131)	(1,527)	(1,658)
Reclassification (Note 2)	721	12,433	73,397	100,754	187,305
Reclassified to non-current assets held for sale (Note 4)	(100,741)	(216,475)	(52,946)	-	(370,162)
Depreciation expenses	-	(101,012)	(906,471)	(66,246)	(1,073,729)
Impairment loss	-	-	(1,527,173)	(39,536)	(1,566,709)
Impairment loss	4,766	(5,056)	41,038	4,405	45,153
December 31	$ 2,342,146	$1,942,111	$1,747,255	$ 297,501	$6,329,013
December 31					
Cost	$ 2,342,146	$3,636,116	$ 26,631,484	$1,264,379	$33,874,125
Accumulated depreciation and impairment	-	(1,694,005)	(24,884,229)	(966,878)	(27,545,112)
	$ 2,342,146	$1,942,111	$1,747,255	$ 297,501	$6,329,013

Note 1: Please refer to Note 6(35)2 for details.

Note 2: It is mainly for the reclassification from prepayments for equipment (listed in other non-current assets) and reclassification to investment property.

Note 3: Please Note 6(34) for details.

Note 4: Please Note 6(13) for details.

1) Capitalized amount of borrowing costs attributable to property, plant and equipment and interest range:

	2020	2019
Capitalized amount	$ 323	$ 848
Range of capitalized interest rate	1.58%	2.01%

2) For the impairment of property, plant and equipment, please refer to Note 6(12) for details.

3) 3For the reclassification of property, plant and equipment to the net non-current assets held for sale, please refer to Note 6(13) for details.

4) For information about the Group's pledging of property, plant and equipment as collateral, please refer to Note 8 for details.

j. Lease transaction - the lessee

1) The assets leased by the Group include land, buildings, and transportation equipment. The lease contract term is usually from 1 to 3 years. The lease contract is negotiated individually and contains a variety of different terms and conditions. Except that the leased assets cannot be used as collateral for loans and cannot be leased, subleased,

or lent, or the ease rights cannot be transferred to others, no other restrictions are imposed.

2) The lease term of part of the land and buildings leased by the Group does not exceed 12 months, and the low-value assets leased are mostly multi-function printers, so they are not included in the right-of-use assets.

3) The carrying amount of right-of-use assets and depreciation expenses recognized are shown as follows:

	December 31, 2020	December 31, 2019
	Carrying amount	Carrying amount
Land	$ 19,606	$ 20,962
Property	234,861	104,216
Transportation equipment (company cars)	7,233	-
	$ 261,700	$ 125,178

	2020			2019		
	Depreciation expenses			Depreciation expenses		
	For self-use	For leasing	Total	For self-use	For leasing	Total
Land	$20,236	$ -	$20,236	$ 4,191	$ -	$ 4,191
Property	50,550	7,921	58,471	44,343	2,748	47,091
Transportation equipment (company cars)	4,374	-	4,374	-	-	-
Add: Depreciation expenses of discontinued operations	-	-	-	7,147	-	7,147
	$75,160	$7,921	$83,081	$55,681	$2,748	$58,429

4) The additions of the Group's right-of-use assets in 2020 and 2019 were NT$219,515 and NT$77,735, respectively. Among them, the acquisition through an acquisition transaction in 2019 was in the amount of NT$65,452. Please refer to Note 6(34) for details.

5) The profit and loss items related to lease contracts are shown as follows:

	2020	2019
Items that affect profit or loss		
Interest expenses on lease liabilities	$ 3,293	$ 1,594
Less: Interest expenses on lease liabilities of discontinued oeprations	-	(621)
	$ 3,293	$ 973
Short-term lease expenses	$ 20,133	$ 11,376
Expense on leases with low-value assets	$ 908	$ 2,028
Expense on variable lease payments	$ 9,376	$ 10,057
Revenue from sublease of right-of-use assets	$ 5,834	$ 1,940
Gains on lease modification	$ 40	$ -

6) The Group's total cash outflows of leases in 2020 and 2019 were NT$114,710 and NT$91,230, respectively.

7) The impact of variable lease payments on lease liabilities

a) In the Group's lease contract, the subject matter to which the variable lease payment terms are applied is connected with the sales amount generated by stores. For the objects leased by individual stores, about 16% is based on variable payment terms and mainly related to the sales amount. Changes in variable lease payments related to the sales amount are recognized as expenses during the period in which these payment terms are satisfied.

b) When the sales of all stores in the Group increase by 10%, the lease contract with variable lease payment terms will increase the total lease payments by approximately 4%.

8) For the reclassification of the right-of-use assets to the net non-current assets held for sale sold, please refer to Note 6(13) for details.

k. Investment property

	2020		
	Land	Land	Land
January 1			
Cost	$ 71,897	$ 600,533	$ 672,430
Accumulated depreciation	-	(298,012)	(298,012)
	$ 71,897	$ 302,521	$ 374,418
January 1	$ 71,897	$ 302,521	$ 374,418
Reclassification (Note)	-	271,504	271,504
Depreciation expenses	-	(19,900)	(19,900)
Net exchange difference	-	123	123
December 31	$ 71,897	$ 554,248	$ 626,145
December 31			
Cost	$ 71,897	$ 1,223,006	$ 1,294,903
Accumulated depreciation	-	(668,758)	(668,758)
	$ 71,897	$ 554,248	$ 626,145

	2019		
	Land	Land	Land
January 1			
Cost	$ 71,897	$ 661,726	$ 733,623
Accumulated depreciation	-	(346,987)	(346,987)
	$ 71,897	$ 314,739	$ 386,636
January 1	$ 71,897	$ 314,739	$ 386,636
Reclassification (Note)	-	1,005	1,005
Depreciation expenses	-	(13,463)	(13,463)
Net exchange difference	-	240	240
December 31	$ 71,897	$ 302,521	$ 374,418
December 31			
Cost	$ 71,897	$ 600,533	$ 672,430
Accumulated depreciation	-	(298,012)	(298,012)
	$ 71,897	$ 302,521	$ 374,418

Note: It is mainly for the reclassification from property, plant and equipment.

1) Rental revenue and direct operating expenses of investment property:

	2020	2019
Rental revenue of investment property	$ 32,045	$ 33,392
Direct operating expenses incurred by investment property generating rental revenue in the current period	$ 6,141	$ 7,067
Direct operating expenses incurred by investment property not generating rent revenue in current period	$ 13,759	$ 6,396

2) The fair value of the investment property held by the Group as of December 31, 2020 and 2019 was $3,187,374 and $1,578,585, respectively, based on the evaluation results of transaction prices in the neighborhood to which could be referred.

3) For information on the Group's pledging of investment property as collateral, please refer to Note 8 for details.

l. Impairment of non-financial assets

1) The impairment losses recognized by the Group for 2020 and 2019 amounted to $8,407 and $1,586,418, respectively. The details are as follows:

	2020		2019	
	Recognized in the current profit or loss	Recognized in other comprehensive income	Recognized in the current profit or loss	Recognized in other comprehensive income
Impairment loss - other assets (list in other current and non-current assets)	$ 46	$ -	$ 31,795	$ -
Impairment loss - machinery and equipment (listed in property, plant and equipment)	-	-	1,527,173	-
Mitigation loss - lease modification (listed in property, plant and equipment)	-	-	39,536	-
Impairment loss - right-of-use assets	-	-	6,247	-
Impairment loss - intangible assets	8,361	-	282	-
	8,407	-	1,605,033	-
Less: Impairment loss of discontinued operations	-	-	(18,615)	-
	$ 8,407	$ -	$ 1,568,418	$ -

2) The details of the aforesaid impairment losses disclosed by segment are as follows:

	2020		2019	
	Recognized in the current profit or loss	Recognized in other comprehensive income	Recognized in the current profit or loss	Recognized in other comprehensive income
Storage media segment	$ -	$ -	$ 902,077	$ -
Other optoelectronics segment	-	-	605,474	-
Investment segment	46	-	73,767	-
Other segments	8,361	-	23,715	-
	8,407	-	1,605,033	-
Less: Impairment loss of discontinued operations	-	-	(18,615)	-
	$ 8,407	$ -	$1,586,418	$ -

3) The Group adopted the value in use and the net disposal value of existing assets as the recoverable amount in the impairment test on December 31, 2020 and 2019. The discount rate used to estimate the value in use is as follows:

	December 31, 2020	December 31, 2019
Storage media segment	10.42%	11.52%
Other optoelectronics segment	8.41%	10.37%
Other segments	4.64%	6.18%

4) Accumulated write-off of impairments

	2020	2019
Machinery and equipment	$ 1, 169, 843	$ 26, 811
Buildings and structures	31, 134	–
Other equipment	75, 551	12, 259
	$ 1, 276, 528	$ 39, 070

a) The Group sold 67% of the equity of SUMAGH in March 2020 and has lost control since the date of the sale. Therefore, the relevant accumulated impairments were also written off. Please refer to Note 6 (35)2 for details.

b) In 2020, the Group disposed of Jet-Thai's machinery and equipment and other equipment that had been recognized as impairments. Therefore, the accumulated impairment amount of NT$1,159,497 was written off altogether to calculate the gains or losses on the disposal.

c) In addition to the above, the accumulated impairments related to the disposal of machinery and equipment in 2020 and 2019 were also written off in order to calculate the gains or losses on the disposal.

m. Non-current assets held for sale and discontinued operations

1) Non-current assets held for sale

a) Jet-Thai's board of directors approved to sell its land, buildings, and structures on December 10, 2019, and formally signed a contract on December 26 of the same year, and reclassified the assets and liabilities to disposal groups held for sale. The transaction was completed in September 2020, and relevant gains of NT$212,335 were generated. The assets and liabilities of the disposal groups held for sale as of December 31, 2019 were NT$300,138 and NT$110,843, respectively.

b) EMC H's board of directors approved on December 18, 2019 and formally signed a contract to sell all the equity of Zhonghong Packing Products (Dongguan) Co.,Ltd. held on the same day, and reclassified the relevant assets and liabilities to disposal groups held for sale. The transaction was completed in January 2020. The assets and liabilities of the disposal groups held for sale as of December 31, 2019 were NT$84,306 and NT$36,601, respectively.

c) Deltamac's board of directors approved on May 11, 2020 to sell the land, buildings, and structures held. The relevant assets have been reclassified to disposal groups held for sale. The transaction is expected to be completed within one year. The assets of the disposal groups held for sale as of December 31, 2020 were $4,810.

d) Assets of the disposal groups held for sale:

	December 31, 2020	December 31, 2019
Cash and cash equivalents	$ -	$ 3,977
Other receivables	-	8
Property, plant and equipment	4,810	370,162
Right-of-use assets	-	10,297
	$ 4,810	$ 384,444

e) Liabilities directly associated with non-current assets held for sale

	December 31, 2020	December 31, 2019
Other payables	$ -	$ 273
Other current liabilities	-	147,171
	$ -	$ 147,444

f) Accumulated income or expenses recognized in other comprehensive income related to the disposal groups classified as held for sale:

	December 31, 2020	December 31, 2019
Adjustments to foreign currency translation	$ -	$ 23,709

2) Discontinued operations

a) Deltamac (H.K.) passed the proposal for dissolution and liquidation as resolved by the shareholders' meeting on December 19, 2019, and entered the dissolution and liquidation process from that date, and was presented as a discontinued operation as it met the definition of a discontinued operation. This dissolution and liquidation process is expected to be completed within 1 to 2 years.

b) The information on cash flow of the discontinued operation is as follows:

	2019
Cash flow of operating activities	$ 18,860
Cash flow of investing activities	(549)
Cash flow of financing activities	(10,861)
Effects of exchange rate changes on cash	2,771
Total cash flow	$ 10,221

c) The analysis of the operating results of the discontinued operation is as follows:

	2019
Net operating revenue	$ 100,372
Operating costs	(76,155)
Gross operating profit	24,217
Operating expenses	(47,521)
Net operating loss	(23,304)
Total non-operating income and expenses	(20,782)
Pre-tax net loss of discontinued operations	($ 44,086)
Income tax benefit	156
Net loss after tax of discontinued operation	($ 43,930)
Loss on the discontinued operation is attributable to	
Owners of parent company	($ 31,036)
Non-controlling interests	(12,894)
	($ 43,930)

d) The amount of loss attributable to the owners of the parent company from the continuing operations unit the discontinued operation: please refer to Note 6 (32).

n. Other non-current assets

	December 31, 2020	December 31, 2019
Prepayments for equipment	$ 5,189	$ 50,190
Refundable deposits	26,037	30,057
Overdue receivables	67,915	548,369
Less: Allowance for loss	(67,915)	(548,369)
Other non-current assets - others	634,897	666,676
	$ 666,123	$ 746,923

o. Short-term borrowings

Nature of borrowings	December 31, 2020	December 31, 2019
Borrowings from financial Institutions		
Secured borrowings	$ 210,000	$ 56,000
Credit borrowings	132,676	150,000
Borrowings for raw material purchase	10,341	-
	$ 353,017	$ 206,000
Interest rate range	1.32%~1.55%	1.5%~1.7%

1) Commercial paper of NT$2,270,300 and NT$2,244,870 has been issued as a guarantee for the short-term borrowing facilities as of December 31, 2020 and 2019, respectively.

2) Please refer to Note 8 for details of short-term borrowings and the guarantees.

p. Financial liabilities at fair value through profit or loss

Items	December 31, 2020	December 31, 2019
Current items:		
Financial liabilities held for trading		
Non-hedging derivative financial instruments -Forward exchange agreements	$ -	$ 670

1) The net losses on the Group's financial liabilities held for trading recognized were in the amount of NT$17,516 and NT$3,937 for 2020 and 2019, respectively.

2) The information on the transactions and contracts of non-hedging derivative financial liabilities is as follows:

	December 31, 2019	
Derivative financial liabilities	Nominal principal	Contract period
Current items:		
Forward exchange agreements	AUD 1,318 thousand	2019.11.15~2020.02.28

The forward foreign exchange transactions conducted by the Group are forward transactions of pre-purchase and pre-sale of foreign currencies, which aim to hedge the exchange rate risk of import and export prices, but no hedging accounting is applied.

q. Other payables

	December 31, 2020	December 31, 2019
Payable for acquisition transaction (please refer to Note 6 (34))	$ 245,875	$ 397,927
Personnel expenses payable	163,717	229,358
Stock payment payable	245,085	81,525
Royalty fees payable	53,600	23,144
Service expense payable	22,690	11,184

Other expenses payable	396,055	475,703
	$ 1,127,022	$ 1,218,841

r. Long-term borrowings

	December 31, 2020	December 31, 2019
Borrowings from financial Institutions		
Secured borrowings	$1,695,000	$2,026,000
Credit borrowings	235,000	334,460
Long-term notes	200,000	-
	2,130,000	2,360,460
Less: Long-term loans due within one year or one operating cycle	(541,000)	(875,460)
	$1,589,000	$1,485,000
Interest rate range	1.24%~1.67%	1.5%~2.25%

1) The Company signed a financing commitment contract with O-Bank Co., Ltd. in April 2018. In 36 months from the date of the first drawdown, the total amount of borrowings is NT$200 million. From November 2019, the principal is amortized and repaid every six months, and the remaining principal will be repaid in the last installment. The Company’s main commitments are as follows:

   During the contract period, the current ratio shall be maintained at 100% or above; the debt ratio shall not be higher than 120%, and the interest coverage ratio (including depreciation and amortization expenses) shall not be lower than 250%.

   The outstanding balance of the Company's borrowings as of December 31, 2020 and 2019 was NT$110,000 and NT$170,000, respectively.

2) The Company signed a financing commitment contract with Taipei Fubon Bank in March 2019. In 36 months from the date of the first drawdown, the total amount of borrowing is NT$1 billion. The Company's main commitments are as follows:

   The current ratio during the contract period shall be maintained at 100% or above; the debt ratio shall not be higher than 90% (inclusive); the net value of tangible assets shall not be lower than NT$12 billion; the interest coverage ratio (including depreciation and amortization expenses) shall not be less than 250%.

   The outstanding balance of the Company's borrowings as of December 31, 2020 and 2019 was were NT$650,000 and NT$800,000, respectively.

3) The remaining loan installment repayment periods start from 2017 to 2023.

4) Please refer to Note 8 for details of the guarantees for long-term borrowings.

5) The Company's amounts of loans not drawn down as of December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Due in more than one year	$ 950,000	$ 373,000

s. Pension

1)

a) The Company and domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Act, applicable to all formal employees who were employed prior to the enforcement of the Labor Pension Act on July 1, 2005 and to the formal employees who still chose the pension mechanism under the Labor Standards Act after the Labor Pension Act took effect. Under the defined benefit pension plan, two units are granted for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units granted and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes 2% of the total salaries every month as a pension fund and deposit it to the designated account in the name of the Labor Pension Funds Supervisory Committee at the Bank of Taiwan. Before the end of each year, the Company shall assess the balance in the designated account. If the total balance of the contribution is less than the amount required for the payment of pensions to all the employees who are eligible to retire in the following year, calculated according to the method above, the Company will make up for the difference in a lump sum before the end of March in the following year.

b) The amounts recognized in the balance sheet are as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefit obligations	$ 258,597	$ 366,740
Fair value of plan assets	(134,827)	(166,817)
Net defined benefit liabilities (listed in other non-current liabilities)	$ 123,770	$ 199,923

c) The changes in net defined benefit liabilities are as follows:

	2020		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
January 1	$ 366,740	($ 166,817)	$ 199,923
Service cost for the current period	708	-	708
Service cost for the previous period	(68,280)	-	(68,280)
Interest (expense) revenue	2,556	(1,037)	1,519
	301,724	(167,854)	133,870
Re-measurements:			
Return on plan assets (not including interest revenue or expenses)	-	(5,497)	(5,497)
The effect of changes in financial assumptions	8,154	-	8,154
Experience adjustments	(7,393)	-	(7,393)
	761	(5,497)	(4,736)
Pension contributed	-	(22,762)	(22,762)
Pension paid	(42,444)	42,444	-
Effect of disposal of subsidiaries	(1,444)	18,842	17,398
December 31	$ 258,597	($ 134,827)	$ 123,770

	2019		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
January 1	$ 412,491	($ 182,305)	$ 230,186
Service cost for the current period	1,070	-	1,070
Interest (expense) revenue	3,750	(1,705)	2,045
	417,311	(184,010)	233,301
Re-measurements:			
Return on plan assets (not including interest revenue or expenses)	-	(6,427)	(6,427)
Change in demographic assumptions	31	-	31
The effect of changes in financial assumptions	6,964	-	6,964
Experience adjustments	(15,828)	-	(15,828)
	(8,833)	(6,427)	(15,260)
Pension contributed	-	(18,118)	(18,118)
Pension paid	(41,738)	41,738	-
December 31	$ 366,740	($ 166,817)	$ 199,923

d) Bank of Taiwan was commissioned to manage the assets of the Company's and domestic subsidiaries' defined benefit plan fund in accordance with the scope of the percentages and amounts in the annual investment and utilization plan of the fund and the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund (Article 6: The scope of utilization for the fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or privately placed equity securities, investment in domestic or foreign real estate securitization products, etc.). The status of the utilization is supervised by the Labor Pension Funds Supervisory Committee. With regard to utilization of the fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. In case any deficiency in the earnings arises, Treasury Funds can be used to cover the deficits after the approval of the competent authority. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with paragraph 142 of IAS 19. For the composition of the fair value of the fund in total as of the years ended December 31, 2020, and 2019, please refer to the various labor pension utilization reports issued by the government.

e) The actuarial assumptions related to pension are summarized as follows:

	2020	2019
Discount rate	0.3~0.4%	0.7~0.8%
Rate of future salary increase	1.0~2.5%	1.0~2.5%

The assumptions for the future mortality rate are based on the published statistics and experience of each country.

The present value of the defined benefit obligation affected by the changes in the main actuarial assumptions adopted is as follows:

	Discount rate		Rate of future salary increase	
	Increase 0.25~1.00%	Decrease 0.25~1.00%	Increase 0.25~1.00%	Decrease 0.25~1.00%
December 31, 2020				
The effects on the present value of defined benefit obligations	($ 5,260)	$ 5,339	$ 4,650	($ 4,434)
December 31, 2019				
The effects on the present value of defined benefit obligations	($ 8,087)	$ 8,371	$ 7,337	($ 7,316)

With other assumptions unchanged, the sensitivity analysis above analyzes the effects of changes in a single assumption. In practice, many changes in assumptions may be linked together. The sensitivity analysis is consistent with the method used to calculate the net pension liabilities of the balance sheet.

The method and assumptions used for the preparation of the sensitivity analysis for the current period are the same as those used in the previous period.

f) The Group expects to make a contribution of NT$18,305 to the pension plan for the year ended December 31, 2021.

g) As of December 31, 2020, the weighted average duration of the pension plan is 11 years. The maturity analysis of the pension payments is as follows:

Less than 1 year	$ 12,137
1–5 years	95,262
Over 5 years	70,286
	$ 177,685

F

2)

a) Since July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan under the Labor Pension Act, applicable to all formal employees with R.O.C. nationality. For employees who choose the labor pension system stipulated under the Labor Pension Act, the Company and its domestic subsidiaries make monthly contributions to employees' individual pension accounts of the Bureau of Labor Insurance at 6% of their monthly salaries and wages. Based on the employee's individual pension accounts and the amount of accumulated income from the annual investment and utilization plan, the payment of employee pension is made on a monthly basis or in a lump sum. For 2020 and 2019, the pension costs recognized according to the above-mentioned pension method were NT$$33,228 and NT$41,610, respectively.

b) HOTAN and VUS have established employee retirement regulations to determine the contribution obligations. The pension expenses recognized for 2020 and 2019 were NT$12,797 and NT$630, respectively.

c) According to the Conditions of Employment—Severance Payment and Long Service Payment of the Government of the Hong Kong Special Administrative Region, employees who have been employed continuously for 24 months or more than 5 years can receive severance payment or long service payment based on a certain percentage of their most recent salary multiplied by their retrospective seniority. VHK's pension expenses recognized for 2020 in accordance with local laws and regulations was NT$3,461. Deltamc (HK)'s 2019 pension expense recognized for the contribution made based on a certain percentage of the employees' most recent salaries was NT$996 (attributable to discontinued operations), which was not there is not significantly different from the relevant liabilities calculated in accordance with the Conditions of Employment—Severance Payment and Long Service Payment of the Government of the Hong Kong Special Administrative Region

d) The pension expenses of VAU, VJP, and VGmbH recognized in accordance with local laws and regulations for 2020 were $6,527.

e) Zhonghong, Fortune (Jiangsu) Electronic Materials Co., Ltd. and FJKL Suzhou make monthly contributions according to a certain percentage of the total salaries of the local employees in accordance with the pension system stipulated by the government of the People's Republic of China, and the contribution percentages are 10%, 20%, and 20%, respectively. The pension for each employee is managed by the government; thus, the Group does not have further obligation except for making a monthly contribution. The cost of pensions recognized for 2020 and 2019 were NT$822 and NT$10,685, respectively.

t. Share-based payments

1) Transtouch's share-based payment arrangements for 2020 and 2019 are as follows:

Type of Agreement	Grant Date	Number of Shares Granted (thousand shares)	Period	Vesting Conditions
New Restricted Employee Shares Plan	2016.07.28	500	3 years	Vested in 1 year: 50% Vested in 2 years: 25% Vested in 3 years: 25%
"	2017.07.27	160	"	"
"	2018.05.03	140	"	"

a) The new restricted employee shares issued by Transtouch cannot be transferred during the vesting period, but there are no restrictions on voting rights and the right to participate in dividend distribution. Employees who resign within the vesting period must return their votes but do not need to return the dividends they have already received.

b) The above-mentioned share-based payment arrangements are all settled by equity.

2) The detailed information on the above-mentioned share-based payment arrangement is as follows (unit: thousand shares):

New Restricted Employee Shares Plan

	2020	2019
Outstanding, at January 1	79	292
Number of shares collected	(78)	(37)
Number of shares vested	(1)	(176)
Outstanding, at December 31	-	79

3) Transtouch uses the Black-Scholes options model to estimate the fair value of the stock options for its share-based payment transactions. The relevant information is as follows:

Type of Agreement	Grant Date	Stock price (NT$)	Strike price (NT$)	Expected volatility	Expected duration (years)	Expected dividends	Risk-free interest rate	Fair value per unit (NT$)
New Restricted Employee Shares Plan	2016.07.28	$63.80	$10.00	-	3	-	-	$63.80
"	2017.07.27	42.50	10.00	-	3	-	-	42.50
"	2018.05.03	37.35	10.00	-	3	-	-	37.35

Note: The expected volatility is based on the stock prices of similar companies during the comparable period of their lives, while considering the impact of the annual earnings distribution on the changes in stock trading prices.

4) The (gains) expenses on the share-based payment transactions are as follows:

	2020	2019
Equity settlement	($ 903)	$ 5,051

u. Share capital

1) In order to improve the financial structure and compensate the accumulated losses, it was resolved to reduce the capital by 567,135,167 shares at the shareholders' meeting on June 5, 2019. The capital reduction rate was 32.858%. The record date of the capital reduction was July 30, 2019. The change registration for the capital reduction was completed on August 12, 2019.

2) As of December 31, 2020, the Company's registered capital was NT$45,000,000, divided into 4,500,000,000 shares, and the paid-in capital was NT$11,588,812, with a par value of NT$10 per share. Share payments for the Company’s issued shares have been collected in full. The reconciliation of the number of shares outstanding at the beginning and end of the period for the Company's common stock is as follows (unit: share):

	2020	2019
January 1	1,158,881,200	1,774,126,367
Capital reduction to offset losses	-	(567,135,167)
Cancellation of treasury shares	-	(48,110,000)
December 31	1,158,881,200	1,158,881,200

3) Treasury stock

a) On March 15, 2019, the board of directors approved the cancellation of 48,110,000 ordinary shares for capital reduction through treasury shares, and the registration of the change has been completed.

b) The Securities and Exchange Act stipulates that the proportion of the Company's repurchase of shares outstanding shall not exceed 10% of the total number of shares issued by the Company, and the total monetary amount of shares repurchased shall not exceed the amount of retained earnings plus the share premium and the realized capital surplus.

c) The treasury shares held by the Company shall not be pledged as collateral under the Securities and Exchange Act, and shall not be entitled to shareholders’ rights before transferred.

d) According to the Securities and Exchange Act, the shares repurchased by the Company for shares transferable to employees shall be transferred within five years from the date of the repurchase. If the transfer is not made within the time limit, the Company shall be deemed to have not issued the shares, and the shares shall be cancelled through change registration. For the shares repurchased to maintain the Company's credit and shareholders' rights, the change registration and share cancellation shall be conducted within 6 months after the repurchase.

e) The Company and its subsidiaries did not hold the Company's shares as of December 31, 2020 and 2019.

v. <u>Capital surplus</u>

According to the Company Act, capital surplus including the income derived from issuing shares at a premium and from endowments, in addition to being used to compensate deficit, where the Company has no accumulated losses, shall be used to issue new shares or cash in proportion to the shareholders' original shares. In addition, according to relevant provisions of the Securities and Exchange Act, when the capital is replenished from the aforementioned capital surplus, the total amount each year shall not exceed 10% of the paid-in capital. The Company shall not use the capital surplus to compensate the capital losses, unless the surplus reserve is insufficient to compensate such losses.

	2020					
	Share premium	Treasury share transactions	Changes in percentage of ownership interests in subsidiaries recognized	Difference between the equity price of subsidiary actually acquired or disposed of and the book value	Others	Total
January 1	$ 2,683,492	$ 5,014,346	$ 458	$ 77	$ 1,922	$ 7,700,295
Changes in ownership interests in subsidiaries	-	-	612	-	-	612
Cash dividends issued from capital surplus	(57,944)	-	-	-	-	(57,944)
December 31	$ 2,625,548	$ 5,014,346	$ 1,070	$ 77	$ 1,922	$ 7,642,963

	2019					
	Share premium	Treasury share transactions	Changes in percentage of ownership interests in subsidiaries recognized	Difference between the equity price of subsidiary actually acquired or disposed of and the book value	Others	Total
January 1	$ 2,758,290	$ 4,782,455	$ 103	$ -	$ 1,922	$ 7,542,770
Cancellation of treasury shares	(74,798)	231,891	-	-	-	157,093
Changes in ownership interests in subsidiaries	-	-	355	-	-	355
Difference between the equity price of subsidiary actually acquired or disposed of and the book value	-	-	-	77	-	77
December 31	$ 2,683,492	$ 5,014,346	$ 458	$ 77	$ 1,922	$ 7,700,295

w. Retained earnings

1) According to the Company's Articles of Incorporation, if there are earnings in the annual final accounts, the Company shall pay taxes first and compensate the accumulated losses; appropriate 10% of the balance for legal reserve, but this does not apply when the legal reserve has reached the amount of the Company's total capital. Subsequently, the Company shall make an appropriation for or reverse the special reserve in accordance with the law. Then, if there are still earnings, together with the undistributed earnings accumulated from the beginning of the same period, the board of directors shall put forth an earnings distribution proposal for the resolution by the shareholders' meeting before distribution. The Company’s dividend policy is based on the consideration for capital expenditures and the Company’s long-term financial planning. The total dividend shall not less be than 10% of the current year’s distributable earnings. However, if the distributable earnings is less than 1% of the paid-in capital, dividend many not need to be distributed. When the dividend is distributed, the cash dividends shall not be less than 10% of the total dividends.

2) The legal reserve shall not be used except for compensation for the Company's losses and issue of new shares or cash in proportion to the shareholders' original shares. However, in the case of issue of new shares or cash, it shall be limited to the portion of the legal reserve in excess of 25% of the paid-in capital.

3) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount may be included in the distributable earnings.

4) On June 5, 2019, the Company's shareholders' meeting resolved to compensate the losses for 2018. Please visit the Market Observatory Post System (MOPS) of the Taiwan Stock Exchange for the details of the board of directors' approval for submission of the proposal for loss compensation to be resolved by the shareholders' meeting.

5)

a) The Company passed the proposal for 2019 earnings distribution as resolved by the shareholders' meeting on June 16, 2020 as follows:

	2019	
	Amount	Earnings per share (NT$)
Legal reserve appropriation	$ 21,379	
Cash dividends	173,832	$ 0.15
	$ 195,211	

b) (On June 16, 2020, the Company passed a proposal to distribute a cash dividend of NT$57,944 with NT$0.05 per share from the capital surplus from paid-in capital in excess of par value as resolved by the shareholders' meeting.

6)

a) The Company's board of directors passed the proposal for 2020 earnings distribution on March 25, 2021 as follows:

	2020	
	Amount	Earnings per share (NT$)
Legal reserve appropriation	$ 11,097	$ -
Special reserve	118,457	-
	$ 129,554	

b) The Company's board of directors passed a resolution on March 25, 2021, and approved to distribute a cash dividend of NT$811,217 with NT$0.7 per share from the capital surplus of the premium from the issue of stocks in excess of par value.

As of March 31, 2021, the aforementioned 2020 earnings distribution proposal and the capital surplus distribution proposal have not yet been resolved by the shareholders' meeting.

7) Please refer to Note 6(30) for the information of employee compensation and directors' remuneration.

x. Other equity items

	2020			
	Foreign currency translation	Unrealized valuation gains and losses	Equity related to assets held for sale	Total
January 1	($121,927)	($130,722)	($ 23,709)	($276,358)
Foreign currency translation difference:				
– Group	(124,129)	-	-	(124,129)
– Associates	(1,097)	-	-	(1,097)
Adjustment to valuation	-	(29,422)	-	(29,422)
Reclassified from valuation adjustment to retained earnings	-	(861)	-	(861)
Disposal of subsidiaries	2,025	-	23,709	25,734
December 31	($245,128)	($161,005)	$ -	($406,133)

	2019			
	Foreign currency translation	Unrealized valuation gains and losses	Equity related to assets held for sale	Total
January 1	($115,422)	($179,753)	$ -	($295,175)
Foreign currency translation difference:				
– Group	(10,031)		-	(10,031)
– Associates	3,526	-	-	3,526
-Reclassified to equity related to assets held for sale (Note)	-	-	(23,709)	(23,709)
Adjustment to valuation	-	46,037	-	46,037
Reclassified from valuation adjustment to retained earnings	-	2,994	-	2,994
December 31	($121,927)	($130,722)	($ 23,709)	($276,358)

Note: For the equity related to held for sale, please refer to Note 6 (13) for details.

y. Operating revenue

	2020	2019
Revenue from customer contracts	$ 9,401,027	$ 6,731,756
Revenue from investment in securities held for operations (Note 1)	-	413,863
Less: Contract revenue of discontinued operations (Note 2)	-	(100,372)
	$ 9,401,027	$ 7,045,247

Note 1: Please refer to Note 4 (3) 3 for details.

Note 2: Please refer to Note 6 (13) 2 for details.

1) Breakdown of revenue from customer contracts

The Group's revenue comes from the provision of goods and services that are gradually transferred over time and transferred at a certain point in time. The revenue can be broken down into the following main product lines:

	2020			
	Storage media	Other optoelectronic products	Others	Total
Timing of revenue recognition				
Revenue recognized at a specific timing	$8,627,234	$ 328,474	$ 427,469	$9,383,177
Revenue recognized over time	-	-	17,850	17,850
	$8,627,234	$ 328,474	$ 445,319	$9,401,027

	2019			
	Storage media	Other optoelectronic products	Others	Total
Timing of revenue recognition	$5,502,143	$ 439,323	$ 769,504	$6,710,970
Revenue recognized at a specific timing	-	-	20,786	20,786
Revenue recognized over time	-	-	(100,372)	(100,372)
Less: Revenue of discontinued operations	$5,502,143	$ 439,323	$ 689,918	$6,631,384

2) Contract liabilities

a) Contract liabilities related to revenue from customer contracts recognized by the Group are as follows:

	December 31, 2020	December 31, 2019	January 1, 2019
Contract liabilities:			
Advance sales receipts	$ 76,810	$ 232,304	$ 107,233
Others	8,831	12,978	22,910
Total	$ 85,641	$ 245,282	$ 130,143

b) Contract liabilities at beginning of period recognized as revenue for the period

	2020	2019
Opening balance of contract liabilities recognized as income for the period		
Product sales contracts	$ 102,535	$ 123,204

z. Interest revenue

	2020	2019
Interests on bank deposits	$ 14,335	$ 17,137
Interest revenue from financial assets at amortized cost - interest revenue	2,135	1,219
Less: Interest revenue of discontinued operations	-	(202)
	$ 16,470	$ 18,154

aa. Other income

	2020	2019
Rental income	$ 41,232	$ 43,838
Dividend income	169,347	44,787
Revenue from packaging changes	18,725	-
Government grant income (Note 2)	15,027	-
Other income	35,539	21,421
Gains on bargain purchase (Note 1)	-	1,810,471
Less: Other income from discontinued operations	-	(166)
	$ 279,870	$ 1,920,351

Note 1: Please note 6 (34) for details.

Note 2: Since January 2020, the COVID-19 outbreaks have occurred in various countries around the world, which has had an impact on the demand side of Transtouch, while the supply side was less affected as suppliers were mostly domestic businesses. However, the overall impact of the pandemic on actual operations still depends on the subsequent development of the epidemic. As the Regulations of the Ministry of Economic Affairs for Relieving and Revitalizing Industries and Businesses Affected by Severe Special Infectious Pneumonia with Business Difficulties applies to Transtouch, it obtained the government's salary and working capital subsidies in 2020, which is recognized as the government grant income of NT$15,027.

bb. Other gains and losses

	2020	2019
Net gains (losses) on the financial assets at FVTPL	($ 118,960)	$ 82,748
Net loss on financial liabilities at FVTPL	(17,516)	(3,937)
Gains on disposal of property, plant and equipment	2,287	3,507
Gains on disposal of non-current assets held for sale (Note 3)	212,335	-
Gains on disposal of investments (Note 2)	-	49,866
Gains on contract modifications (Note 4)	133,523	
Gains on disposal of subsidiaries (Note 1)	231,435	-
Loss on onerous contracts	-	(2,440)
Net foreign currency exchange losses (Note 5)	(115,674)	(68,382)
Non-financial asset impairment losses	(8,407)	(1,605,033)
Financial asset impairment losses	-	(174)
Depreciation expenses not for self use	(28,994)	(16,211)
Other expenditures	(12,879)	(47,724)
	277,150	(1,607,780)
Add: Other losses of discontinued operations	-	20,656
	$ 277,150	($ 1,587,124)

Note 1: Please refer to Note 6 (35)2 for details.

Note 2: FJKL Technology (Suzhou) Corporation completed the de-registration process on September 23, 2019, and offset the assets and liabilities accounted for, leading to gains on liquidation.

Note 3: Please refer to Note 6 (13)1(1) for details.

Note 4: Please refer to Note 6 (34)1 for details.

Note 5: For the exchange loss of NT$48,736 recognized for 2019, please refer to Note 4(3)2 and 5.

cc. Finance costs

	2020	2019
Interest expenses		
Bank borrowings	$ 45,363	$ 35,426
Interest expenses on lease liabilities	3,293	1,594
Borrowing facility management expense	1,266	9,282
	49,922	46,302
Less: Amount qualified for capitalization	(323)	(848)
Finance costs attributable to discontinued operations	-	(494)
	$ 49,599	$ 44,960

dd. Employee benefit, depreciation, and amortization expenses

	2020		
Function	Operating costs	Operating expenses	Total
Employee benefit expenses			
Salaries and wages	$ 716,145	$ 482,029	$ 1,198,174
Labor and health insurance premiums	62,637	75,095	137,732
Pension expenses	(30,497)	21,279	(9,218)
Other employee benefit expenses	16,252	16,474	32,726
Depreciation expenses	536,345	221,856	758,201
Amortization expenses	38,188	67,545	105,733

	2019		
Function	Operating costs	Operating expenses	Total
Employee benefit expenses			
Salaries and wages	$ 790,176	$ 277,104	$ 1,067,280
Labor and health insurance premiums	83,956	28,715	112,671
Pension expenses	41,665	15,371	57,036
Other employee benefit expenses	26,694	9,652	36,346
Depreciation expenses	840,430	288,980	1,129,410
Amortization expenses	49,591	32,564	82,155
Less: Employee benefit, depreciation, and amortization expenses attributable to discontinued operations	(973)	(32,470)	(33,443)

1) According to the Company's Articles of Incorporation, if the Company makes a profit at the end of the year, at least 1% of the balance shall be allocated for employee compensation and no more than 1.5% for the remuneration of directors. However,

when the Company still has accumulated losses, it shall reserve an amount to compensate the losses.

2) The Company's estimates for 2020 and 2019 employee compensation and directors' remuneration are based on the profitability of the years. The employee compensation was estimated at 2.04% and 1.31%, and the remuneration of directors was estimated at 1.50% and 0.96%, respectively. The estimated amounts of employee compensation were $3,000 and $3,000, respectively; the estimated amounts of directors' remuneration were $2,200 and $2,200, respectively, and the said amounts were accounted for under salaries and wages.

3) The amounts of the employee compensation and the remuneration of directors and supervisors for 2019 approved by the board of directors were the same as the amounts recognized in the 2019 financial statements. They were $3,000 and $2,200, respectively and all paid in cash.

4) The information on employee compensation and the remuneration of directors approved by the board of directors of the Company is available on the MOPS.

5) The Group combined its production lines and optimized production efficiency in 2020. As a result, the Group recognized $155,822 of employee resignation-related expenses due to the streamlining of personnel in 2020 under operating costs.

ee. Income tax

1) Income tax expense

a) Components of income tax expense:

	2020	2019
Current income tax:		
Income tax incurred in current period	$ 74,724	$ 9,458
A surtax on subsidiaries' undistributed earnings	-	13
Income tax underestimates (overestimates) for prior years	(769)	(831)
Effect of exchange rate	-	6
Total current income tax	73,955	8,646
Deferred income tax:		
Initial recognition and reversal of temporary differences	26,692	(1,014)
Acquisition from acquisition transactions (Note)	-	(5,984)
Net exchange difference	4,076	515
Income tax expense	$ 104,723	$ 2,163

Note: Please note 6 (34) for details.

b) The amount of income tax related to other comprehensive income:

	2020	2019
Remeasurement of defined benefit obligations	$ 373	($ 3,253)

2) Reconciliation between income tax expense and accounting profit

	2020	2019
Income tax calculated at the statutory tax rate on net income before tax	$ 45,862	$ 43,128
Expenses that shall be (added) excluded according to tax laws	(35,424)	7,143
Income on which income tax shall be levied according to tax law	1,220	419
Items exempt from taxation according to tax law	(76,923)	(19,125)
Unrealized gains or losses on financial assets that are not taxable	42,119	(54,687)
Temporary differences not recognized in deferred income tax assets	(1,634)	285,694
Taxable loss not recognized in deferred income tax assets	39,987	172,922
Change in realizability evaluation of deferred income tax liabilities	74,678	(70,514)
Income tax overestimates/underestimates for prior years	(769)	(831)
A surtax on subsidiaries' undistributed earnings	47	13
Land value increment tax on the land sold	156	-
Effect of income tax of the applicable tax rate in the Group	15,404	(362,155)
	104,723	2,007
Add: Gains on income tax of the discontinued operations	-	156
Income tax expense	$ 104,723	$ 2,163

3) The amount of deferred income tax assets or liabilities that arise from temporary differences and tax losses are set out below:

	2020					
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	Disposal of subsidiaries	December 31
Deferred income tax assets:						
-Temporary differences						
Over-limit of allowance for loss	$ 123,851	($83,604)	$ -	$ -	$ -	$ 40,247
Unrealized gains on sales	22	21,744	-	-	-	21,766
Unrealized exchange loss	14,232	5,190	-	-	-	19,422
Inventory valuation loss	98,456	(21,222)	-	-	-	77,234
Compensation for unused annual leave	7,900	(2,783)	-	-	-	5,117
Remeasurement of defined benefits	14,197	-	369	-	-	14,566
Unrealized losses on investment	7,435	(1,994)	-	-	-	5,441
Impairment loss of Non-financial assets	89,373	-	-	-	-	89,373
Others	2,642	(2,581)	-	-	-	61
- Tax losses	157,690	57,982	-	(866)	-	214,806
Subtotal	$515,798	($27,268)	$ 369	($ 866)	$ -	$488,033
Deferred income tax liabilities:						
-Temporary differences						
Unrealized exchange gains	($ 2,006)	$ 304	$ -	$ -	$ -	($ 1,702)
Unrealized losses on sales	(557)	557	-	-	-	-
Unrealized gains on investment	(6,058)	281	-	-	-	(5,777)
Book-tax differences in depreciation expenses of fixed assets	(67,423)	-	-	-	-	(67,423)
Provision for land value increment tax	(21,379)	-	-	-	-	(21,379)
Others	(2,916)	(566)	4	-	2,875	(603)
Subtotal	($ 100,339)	$ 576	$ 4	$ -	$2,875	($ 96,884)
Total	$ 415,459	($26,692)	$ 373	($ 866)	$2,875	$391,149

	2019					
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	Acquisition through acquisition transaction	December 31
Deferred income tax assets:						
-Temporary differences						
Over-limit of allowance for loss	$133,711	($ 9,856)	$ -	($ 4)	$ -	$123,851
Unrealized gains on sales	23	-	-	(1)	-	22
Unrealized exchange loss	3,471	6,108	-	-	4,653	14,232
Inventory valuation loss	75,729	22,727	-	-	-	98,456
Compensation for unused annual leave	8,523	(514)	-	(109)	-	7,900
Remeasurement of defined benefits	17,354	-	(3,157)	-	-	14,197
Unrealized losses on investment	7,185	250	-	-	-	7,435
Impairment loss of Non-financial assets	88,373	1,000	-	-	-	89,373
Others	1,802	(481)	-	(10)	1,331	2,642
- Tax losses	184,474	(26,951)	-	167	-	157,690
Subtotal	$520,645	($ 7,717)	($ 3,157)	$ 43	$5,984	$515,798
Deferred income tax liabilities:						
-Temporary differences						
Unrealized exchange gains	($ 1,572)	($ 434)	$ -	$ -	$ -	($ 2,006)
Unrealized losses on sales	(405)	(152)	-	-	-	(557)
Unrealized gains on investment	(15,027)	8,969	-	-	-	(6,058)
Book-tax differences in depreciation expenses of fixed assets	(67,423)	-	-	-	-	(67,423)
Provision for land value increment tax	(21,379)	-	-	-	-	(21,379)
Others	(3,168)	348	(96)	-	-	(2,916)
Subtotal	($108,974)	$ 8,731	($ 96)	$ -	$ -	($100,339)
Total	$411,671	$ 1,014	($ 3,253)	$ 43	$5,984	$415,459

4) The validity period of the Group's unused tax loss carryforwards and the relevant amounts of unrecognized deferred income tax assets are as follows:

December 31, 2020

Year of occurrence	Declared/Approved amount	Amount of unused tax loss carryforwards	Amount of unrecognized deferred income tax assets	Final year the carryforwards are due
2011	Approved amount	1,915,788	1,701,524	2016–2031
2012	"	576,522	572,990	2017–2022
2013	"	2,138,865	2,017,168	2018–2023
2014	"	1,504,300	1,337,128	2019–2034
2015	"	1,904,500	1,670,682	2020–2035
2016	"	3,363,155	3,332,703	2021–2036
2017	"	1,169,522	1,126,213	2022–2037
2018	"	1,994,843	1,945,173	2023–2038
2019	Declared amount	605,899	446,829	2024–2039
2020	Estimated amount	645,220	643,185	2025–2040
		$15,818,614	$14,793,595	

December 31, 2019

Year of occurrence	Declared/Approved amount	Amount of unused tax loss carryforwards	Amount of unrecognized deferred income tax assets	Final year the carryforwards are due
2010	Approved amount	$3,998,919	$3,885,002	2020
2011	"	2,207,194	2,178,568	2016–2031
2012	"	520,028	516,496	2017–2022
2013	"	2,154,481	2,082,619	2018–2023
2014	"	1,772,567	1,650,702	2019–2034
2015	"	2,139,168	1,946,219	2020–2035
2016	"	3,456,623	3,427,556	2021–2036
2017	Declared amount	1,256,871	1,213,571	2022–2037
2018	"	2,134,365	1,907,405	2023–2038
2019	Estimated amount	840,199	670,221	2024–2039
		$20,480,415	$19,478,359	

5) Deductible temporary differences that are not recognized in deferred income tax assets by the Group:

	December 31, 2020	December 31, 2019
Deductible temporary differences	$11,974,907	$13,673,666

6) The profit-seeking enterprise income tax returns filed by the Company and its domestic subsidiaries' have been approved by the tax collection authorities as follows:

	Status of approval
a) Sun Well, EV Power, Sun Q, Taiwan Net, Taiwan Dakang, CMC Entertainment Hub, Com In Dim, Deltamac, and Jing Zhi Zui	Approved up to 2019
b) The Company, CHC International Investment Corporation, CMC Movie, Asia 1 Entertainment, CMC Entertainment, and Transtouch	Approved up to 2018

ff. Earnings per share

	2020		
	Amount after tax	Weighted average number of outstanding shares (thousand shares)	Earnings per share (NT$)
Basic earnings per share			
Current net profit attributable to ordinary shareholders of the parent company	$ 111,073	$ 1,158,881	$ 0.10
Diluted earnings per share			
Current net profit attributable to ordinary shareholders of the parent company	$ 111,073	1,158,881	
Potential effect of dilutive ordinary shares			
Employee compensation	-	423	
Current net profit attributable to ordinary shareholders of the parent company plus potential effect of ordinary shares	$ 111,073	1,159,304	$ 0.10

	2019		
	Amount after tax	Number of outstanding shares adjusted retrospectively (thousand shares) (Note)	Earnings per share (NT$)
Basic earnings per share			
Current net profit attributable to the continuing operations of the parent company	$ 259,741	1,158,881	$ 0.23
Current net loss attributable to the discontinued operations of the parent company	(31,036)	〃	(0.03)
Current net profit attributable to ordinary shareholders of the parent company	$ 228,705	〃	$ 0.20
Diluted earnings per share			
Current net profit attributable to the continuing operations of the parent company	259,741	1,158,881	
Potential effect of dilutive ordinary shares			
Employee compensation	-	373	
Current net profit attributable to the continuing operations of the parent company plus potential effect of dilutive ordinary shares	259,741	1,159,254	$ 0.23
Current net loss attributable to the discontinued operations of the parent company	(31,036)	"	(0.03)
Current net profit attributable to ordinary shareholders of the parent company plus potential effect of ordinary shares	$ 228,705	〃	$ 0.20

Note: The retrospective adjustment of the number of outstanding shares above has been conducted based on the proportion of capital reduction in 2019.

gg. Transactions with non-controlling interests

1) The Group had no significant transactions with non-controlling interests in 2020.

2) Acquisition of additional equity interests in subsidiaries

a) The Group purchased a total of 0.18% of the issued shares of Sun Well between June 2019 and August 2019 in the amount of NT$79 in cash. The carrying amount of Sun Well's non-controlling interests on the acquisition date was (NT$21,264,000). The transaction reduced non-controlling interests by NT$96 and the equity attributable to owners of the parent company decreased by NT$17. The effect of the changes in Sun Well's equity in 2019 on the equity attributable to owners of the parent company is as follows:

	2019
Carrying amount of non-controlling interests acquired	($ 17)
Consideration paid to non-controlling interests	(79)
To make up for losses	($ 96)

b) The Group purchased a total of 8.82% of the issued shares of Deltamac in the amount of NT$62,200,000 in cash between January 2019 to March 2019. The carrying amount of Deltamac's non-controlling interests at the acquisition date was NT$190,865. The transaction reduced the non-controlling interests by NT$23,869 and the equity attributable to the owners of the parent company increased by NT$38,331. The effect of changes in Deltamac's equity on the equity attributable to owner of the parent company in 2019 is as follows:

	2019
Carrying amount of non-controlling interests acquired	$ 38,331
Consideration paid to non-controlling interests	(62,200)
To make up for losses	($ 23,869)

hh. Acquisition transactions

1) The Group purchased 100% of the equity of 4 companies on December 31, 2019, namely Verbatim GmbH (VGmbH) and Verbatim Australia Pty. Ltd. (VAU), Verbatim (Hong Kong) Limited (VHK), Verbatim Americas LLC. (hereinafter referred to as VUS), Verbatim Americas LLC. (VUS), and part of the assets of Mitsubishi Chemical Media Co., Ltd. (including Verbatim trademark, franchise, and equipment) at the original contract price of US$32,000 thousand and the difference between the net value on the record date of evaluation and the net value on the record date of acquisition, and obtained control of VGmbH, VAU, VHK, and VUS, which engaged in the trading of electronic products, including optical discs in Germany, Australia, Hong Kong, and the U.S., respectively. The Group expects to strengthen its position in these markets after the acquisition and expects to reduce costs via the economic scale. According to the agreement between both parties, the payment shall be carried out in two installments. The first installment in the amount of approximately US$23,000 thousand has been paid on December 24, 2019. The remaining payment has been recognized as relevant rights and obligations based on the relevant contractual commitments (listed in other payables and the balances were NT$245,875,000 and NT$397,927,000 as of December 31, 2020 and 2019, respectively).

Subsequently, both parties continued to deal with the contractual matters in accordance with the agreement, and signed a supplementary agreement on October 16, 2020, specifying that the Group will no longer need to pay approximately US$4,269 thousand of the aforementioned difference in the net values, and the Group recognized the gains on amended agreement in the amount of NT$133,523 (listed in other gains and losses).

2) In this acquisition transaction, the information on the fair value of the consideration paid by the subsidiaries, the assets acquired, and the liabilities assumed at the acquisition date is as follows:

	December 31, 2019
Consideration for the acquisition	
Cash	$ 689,770
Other payables	397,927
	$ 1,087,697
Fair value of identifiable assets acquired and liabilities assumed	
Cash	$ 775,963
Trade receivable	1,321,074
Other receivables	2,769
Inventories	1,611,465
Prepayments to suppliers	57,611
Property, plant and equipment	192,504
Right-of-use assets	65,452
Intangible assets	125,977
Deferred income tax assets	5,984
Other non-current assets	13,581
Financial liabilities at FVTPL- current	(670)
Contract liabilities	(122,168)
Trade payables	(703,208)
Other payables	(325,133)
Current tax liabilities	(63,098)
Lease liabilities - current	(33,548)
Other current liabilities	(47,107)
Lease liabilities - non-current	(32,775)
Other non-current liabilities	(488)
Total net identifiable assets	$ 2,844,185
	($ 1,756,488)
Effect of exchange rate	53,983
Gains on bargain purchase	($ 1,810,471)

3) If it is assumed that VGmbh, VAU, VHK, and VUS have been incorporated into the Group since January 1, 2019, the operating income and net income before tax of the Group for 2019 would be NT$12,292,772 and NT$180,429, respectively.

ii. Additional information on cash flows

1) Investing activities with only partial cash payment:

a) Property, plant and equipment

	2020	2019
Acquisition of property, plant and equipment	$ 65,875	$ 15,974
Add: Payables for equipment, beginning of period	70,844	67,907
Less: Payables for equipment, end of period	(66,280)	(70,844)
Less: Payables for equipment from disposal of subsidiaries	(4,656)	-
Cash paid in the current period	$ 65,783	$ 13,037

b) Prepayments for equipment

	2020	2019
Increase in prepayments for equipment	$ 100,362	$ 215,303
Add: Payables for equipment, beginning of period	50,204	47,491
Less: Payables for equipment, end of period	(46,225)	(50,204)
Cash paid in the current period	$ 104,341	$ 212,590

2) The Group sold 100% of Zhonghong and 67% of SUMAGH's equity in January 2020 and March 2020, respectively, resulting in the loss of the Group's control over these subsidiaries. Please see Note 4(3) 2, Note 3, Note 6, and Note 6(13)1(2) for details. The consideration received for the transactions and information on the relevant assets and liabilities of these subsidiaries are as follows (it was not applicable for 2019):

	December 31, 2020
Consideration received	
Cash	$ 478,291
Carrying amount of the assets and liabilities of the subsidiaries	
Cash and cash equivalents	$ 14,302
Other current assets	151,376
Property, plant and equipment	70,721
Investments accounted for using the equity method	2,295
Other non-current assets	27,969
Other payables	(19,545)
Other current liabilities	(4,012)
Other non-current liabilities	(2,875)
Non-controlling interests	(20,003)
Total net assets	$ 220,228
	258,063
Effect of exchange rate	(26,628)
Gains on disposal	$ 231,435

jj. Changes in liabilities from financing activities

	2020			
	Short-term borrowings	Long-term borrowings (including due within one year or one operating cycle)	Lease liabilities	Total liabilities from financing activities
January 1	$206,000	$ 2,360,460	$112,136	$2,678,596
Changes in cash flow from financing activities	153,017	(230,460)	(81,000)	(158,443)
Effect of changes in exchange rates	-	-	2,155	2,155
Other non-cash changes	(6,000)	-	217,158	211,158
December 31	$353,017	$ 2,130,000	$250,449	$2,733,466

	2019			
	Short-term borrowings	Long-term borrowings (including due within one year or one operating cycle)	Lease liabilities	Total liabilities from financing activities
January 1	$250,000	$ 3,108,400	$107,715	$3,466,115
Changes in cash flow from financing activities	(44,000)	(747,940)	(66,175)	(858,115)
Effect of changes in exchange rates	-	-	108	108
Other non-cash changes	-	-	70,488	70,488
December 31	$206,000	$ 2,360,460	$112,136	$2,678,596

7. Related-Party Transactions

a. Name of the related party and relationship

Name of related party	Relationship with the Group
Vie Show Cinemas	Associate
Taiwan Chi Yuan Culture Foundation	Other related parties

b. Significant transactions with related parties

1) Operating revenue

	2020		2019	
Sales				
Associate	$	2,206	$	4,054
Other related parties		12		2,752
	$	2,218	$	6,806

The Group's sales prices and transaction conditions for said related parties are determined separately in accordance with the economic environment and market competition in each region.

2) Trade receivable from related parties

	December 31, 2020		December 31, 2019	
Trade receivable and notes receivable				
Associate	$	7	$	264
Other related parties		-		1,660
	$	7	$	1,924

The trade receivable from related parties mainly come from the sales of goods, and there is no significant difference in the payment terms from those in general transactions, which is O/A with net 30–120 days. There is no mortgage and interest borne on receivables. No allowance for losses is provided for trade receivable from related parties.

3) Administrative expenses - rent expenses

	2020		2019	
Associate	$	1,217	$	363

The Group has leased buildings from associates. The lease contract term was from July 2017 to September 2020. The rent was paid at the beginning of each month. However, the lease contract was re-signed in November 2019, and the lease term did not exceed 12 months, which is was an exemption for short-term leases. The rent was negotiated based on the rental market of similar real estate nearby, and is paid on a monthly basis.

4) Other

The total amount of donation by the Group to other related parties in 2020 and 2019 was NT$3,500 and NT$7,000, respectively.

c. Information on the remuneration of the key management:

	2020	2019
Short-term employee benefits	$ 74,677	$ 37,753
Post-employment benefits	1,327	1,153
Other long-term employee benefits	47	1,517
Share-based payments	82	1,161
	$ 76,133	$ 41,584

8. Pledged Assets

The details of the assets pledged by the Group as collateral are as follows

	Carrying amount		
Asset items	December 31, 2020	December 31, 2019	Purpose of collateral
Restricted demand and time deposit (listed in financial assets at amortized cost - current and non-current)	$ 23,060	$ 41,377	Customs guarantee, margin for issue of letters of credit, and bank loan guarantee
Listed stocks (listed in financial assets at FVTPL- non-current)	1,556,930	710,600	Bank borrowings
Beneficiary certificates (listed in financial assets at FVTPL- non-current)	491,450	470,500	〃
Property, plant and equipment	2,791,879	2,834,917	〃
Investment property	85,834	88,108	〃
	$ 4,949,153	$ 4,145,502	

The Group pledged 2,643,000 shares of Transtouch's stock as security for bank loans on December 31, 2020 and 2019.

9. Significant contingent liabilities and unrecognized contractual commitments

a. Contingencies: N/A.

b. Commitments:

1) Capital expenditure for contracts signed but not effective is as follows

	December 31, 2020	December 31, 2019
Property, plant and equipment	$ 84,582	$ 84,731
Intangible assets	1,152	7,860
	$ 85,734	$ 92,591

2) The Company signed license agreements for relevant optical disc products with Pioneer Corporation, HP Inc., and One-Blue LLC, and paid royalties to the companies in installments based on the sales volume of the relevant products or in installments.

10. Major Disaster Loss

N/A.

11. Material events after the balance sheet date

Please refer to Note 6(24)6 for the earnings distribution proposal for 2020 proposed by the board of directors on March 25, 2021.

12. Others

a. Capital management

The Group's capital management objectives are to ensure that the Group can continue as a going concern, maintain the best capital structure to meet the needs for equipment, and provide dividends to shareholders.

b. Financial instruments

1) Type of financial instruments

	December 31, 2020	December 31, 2019
Financial assets		
Financial assets at fair value through profit or loss (FVTPL)		
Financial assets mandatorily at fair value through profit or loss	$7,284,389	$6,293,929
Financial assets at fair value through other comprehensive income (FVTOCI)		
Investment in designated equity instruments selected	$ 369,487	$ 427,196
Financial assets measured at amortized cost/loans and receivables		
Cash and cash equivalents	$3,697,814	$3,327,127
Financial assets at amortized cost	257,006	284,106
Notes receivable	4,236	6,786
Trade receivable	1,702,325	2,356,468
Other receivables	413,384	270,246
Refundable deposits (listed in other non-current assets)	26,037	30,057
	$6,100,802	$6,274,790

Financial liabilities		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trade	$ -	$ 670
Financial liabilities measured at amortized cost		
Short-term borrowings	$ 353,017	$ 206,000
Notes payable	88,478	327,272
Trade payables	797,840	733,673
Other payables	1,127,022	1,218,841
Long-term borrowings (including due within one year or one operating cycle)	2,130,000	2,360,460
Guarantee deposits received (listed in other current and non-current liabilities)	6,115	7,184
Long-term notes and trade payable (listed in other non-current liabilities)	63,507	63,507
	$4,565,979	$4,916,937
Lease liabilities	$ 250,449	$ 112,136

2) Risk management policy

a) The daily operations of the Group are affected by a number of financial risks, including market risks (including exchange rate risk, interest rate risk, and price risk), credit risk, and liquidity risk. In order to reduce the adverse effects of uncertainty on the financial performance of the Group, the Group engages in forward foreign exchange contracts and options to avoid exchange rate risk. The derivatives traded by the Group are for the purpose of hedging risks and are not used for trading or speculation.

b) Risk management is carried out by the Group's finance department in accordance with the policies approved by the board of directors. The Group’s finance department is responsible for identifying, evaluating, and avoiding financial risks through close collaboration with the Group’s operating units. The board of directors has formulated principles for overall risk management, and also provided written policies for specific areas and matters, such as exchange rate risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments, and the investment using remaining liquidity.

c) For information on derivatives trading to avoid financial risks, please refer to Note 6(2) and (16) in detail.

3) The nature and level of material financial risks

a) Market risk

Exchange rate risk

i. The Group operates its business transnationally, so it is subject to the exchange rate risk arising from transactions in currencies different from the functional currencies (mainly USD and CNY) used by the Company and its subsidiaries. The exchange rate risk arises from future business transactions and assets and liabilities recognized.

ii. The management of the Group has established policies to regulate the exchange rate risk of each company within the Group in relation to its functional currency. The companies shall hedge against the overall exchange rate risk through the Group's finance department. The exchange rate risk is measured by expected transactions with USD and CNY expenditures that are highly likely to occur. Forward foreign exchange contracts are used to reduce the impact of exchange rate fluctuations on the expected cost of inventory purchase.

iii. The Group uses forward foreign exchange contracts to hedge against exchange rate risk while hedging accounting is not applied, which are listed in financial assets or liabilities at FVTPL. Please see Note 6(2) and (16) for details.

iv. The Group’s business involves a number of non-functional currencies (the functional currencies of the Company and some subsidiaries are NT$, while the functional currencies of other subsidiaries are USD and CNY, etc.). Therefore, it is affected by exchange rate fluctuations. Information on foreign currency assets and liabilities influenced by significant exchange rate fluctuations is as follows:

December 31, 2020	Foreign currencies (thousand)	Exchange rate	Carrying amount (NTD)
(Foreign currency: Functional currency)			
Financial assets			
Monetary items			
USD: NTD	$ 29,291	28.1000	$ 823,077
USD: EUR	7,038	0.8124	198,228
NTD: USD	141,889	0.0356	141,889
USD: CNY	3,105	6.4971	87,250
CAD: USD	2,419	0.7712	86,569
MXN: USD	37,324	0.0466	52,755
HKD: NTD	11,714	3.6240	42,452
Financial liabilities			
Monetary items			
USD: NTD	$ 5,925	28.1000	$ 166,493
USD: EUR	3,196	0.8124	90,017

December 31, 2019	Foreign currencies (thousand)	Exchange rate	Carrying amount (NTD)
(Foreign currency: Functional currency)			
Financial assets			
Monetary items			
USD: NTD	$ 46,864	29.99	$ 1,405,451
NTD: USD	230,824	0.0333	230,824
CAD: USD	6,261	0.7700	144,581
MXN: USD	53,490	0.0524	84,058
USD: CNY	2,663	6.9762	79,863
USD: HKD	2,231	7.7866	66,899
USD: EUR	1,774	0.8937	53,336
Financial liabilities			
Monetary items			
USD: CNY	$ 1,152	6.9762	$ 148,385
USD: EUR	2,153	0.8937	64,730
USD: NTD	2,145	29.99	64,329
JPY: HKD	232,624	0.0715	64,096
EUR: NTD	1,667	33.64	56,078
JPY: NTD	182,728	0.2761	50,451

v. The aggregate amount of all exchange losses (including realized and unrealized) on Group's monetary items influenced by significant exchange rate fluctuations was NT$115,674 and NT$68,382 in 2020 and 2019, respectively.

vi. The Group's foreign currency market risk analysis due to significant influence of exchange rate fluctuations is as follows:

2020
Sensitivity analysis

	Exchange rate band	Effect on profit and loss	Effect on other comprehensive income
(Foreign currency: Functional currency)			
Financial assets			
Monetary items			
USD: NTD	1%	$ 8,231	$ -
USD: EUR	1%	1,982	-
NTD: USD	1%	1,419	-
USD: CNY	1%	873	-
CAD: USD	1%	866	-
MXN: USD	1%	528	-
HKD: NTD	1%	425	-
Financial liabilities			
Monetary items			
USD: NTD	1%	$ 1,665	$ -
USD: EUR	1%	900	-

2019
Sensitivity analysis

	Exchange rate band	Effect on profit and loss	Effect on other comprehensive income
(Foreign currency: Functional currency)			
Financial assets			
Monetary items			
USD: NTD	1%	$ 14,055	$ -
NTD: USD	1%	2,308	-
CAD: USD	1%	1,446	-
MXN: USD	1%	841	-
USD: CNY	1%	799	-
USD: HKD	1%	669	-
USD: EUR	1%	533	-
Financial liabilities			
Monetary items			
USD: CNY	1%	$ 1,484	$ -
USD: EUR	1%	647	-
USD: NTD	1%	643	$ -
JPY: HKD	1%	641	-
EUR: NTD	1%	561	-
JPY: NTD	1%	505	-

Price risk

i. The Group's equity instruments exposed to price risk are financial assets held at FVTPL and financial assets at FVTOCI. To manage its price risk arising from investments in equity instruments, the Group diversifies its portfolio. Diversification of the portfolio is conducted in accordance with limits set by the Group.

ii. The Group mainly invests in equity instruments and open-end funds issued by domestic companies, and the prices of those equity instruments will be affected by the uncertainty of the future values of said instruments. If the price of said equity instruments rose or fell by 1%, with all other factors remaining unchanged, the net income (loss) after tax for 2020 and 2019 would have increased or decreased by NT$66,865 and NT$56,637, respectively, due to the gains or losses on equity instruments at FVTPL, and the other comprehensive income would have increased or decreased by NT$3,695 and NT$4,272 for 2020 and 2019, respectively, because of the gains or losses on the equity instrument investment at FVTOCI.

<u>Interest rate risk of cash flow and fair value</u>

i. The Group's interest rate risk mainly comes from long-term borrowings issued at floating interest rates, exposing the Group to the interest rate risk of cash flow. In 2020 and 2019, the Group's loans taken out at floating interest rates were mainly denominated in NTD.

ii. B. The Group's loans are measured at amortized cost and the annual interest rate will be repriced every year according to the contracts. Therefore, the Group is exposed to the risk of future market interest rate changes.

iii. C. When the NTD borrowing interest rate rose or fell by 0.25%, while all other factors remained unchanged, the net income (loss) after tax would have decreased or increased by NT$4,260 and NT$5,901 in 2020 and 2019, respectively, as the interest expenses would change with the floating interest rates for the borrowings.

b) Credit risk

i. The credit risk of the Group is the risk of financial loss suffered by the Group arising from the failure of customers or counterparties of financial instruments to fulfill contractual obligations. It mainly comes from counterparties' inability to settle the contractual cash flow of trade receivable in accordance with the payment terms.

ii. The Group has established credit risk management from the Group's perspective. For banks and financial institutions with whom it is dealing, only those with good credit ratings can be accepted as transaction counterparties. In accordance with the internal credit policy, each operating entity within the Group must conduct management and credit risk analysis of each new customer before deciding payment and delivery terms and conditions. The internal risk control system evaluates the credit quality of customers by considering their financial positions, past experience, and other factors. Individual risk limits are set by the board of directors based on internal or external ratings, and the drawdown of credit limits is regularly monitored.

iii. The Group adopts IFRS 9 to set the premise and assumption that when a contract payment is overdue for more than 90 days according to the agreed payment terms, it is deemed to have been in default.

iv. The Group adopts IFRS 9 to set the following assumptions as the basis for judging whether the credit risk of financial instruments has increased significantly since initial recognition:

When a contract payment is overdue for more than 30 days in accordance with the agreed payment terms, it is deemed that the credit risk of a financial asset has increased significantly since the initial recognition.

v. The Group groups customers' trade receivable according to the customers' characteristics, and adopts a simplified approach to estimate expected credit losses based on a provision matrix and the loss rate method.

vi. After the recourse procedures, the Group writes off the amount of financial assets that cannot be reasonably expected to be recovered. However, the Group will continue to carry out the legal recourse procedures to preserve the creditor's rights. As of December 31, 2020 and 2019, the Group had no claims that had been written off nor recourse activities underway.

vii.

(i) The Group has included forward-looking considerations for the future global business information and adjusted the loss rate established based on historical and current information for a specific period to estimate the loss allowance for the notes and trade receivable of customers with general credit ratings (including related parties). The provision matrix as of December 31, 2020 and 2019 is as follows:

	Expected loss rate	Total carrying amount	Loss allowance	Total
December 31, 2020				
Not past due	0%~4%	$ 1,118,867	($ 302)	$ 1,118,385
Overdue for 1–30 days	2.7%~22%	113,208	(267)	112,941
Overdue for 31–60 days	4.4%~82%	30,518	(184)	30,334
Overdue for 61–90 days	8.5%~100%	12,294	(1,644)	10,650
verdue for 1–180 days	10.6%~100%	63,664	(4,926)	58,738
Overdue for 181 or more	26.7%~100%	192,978	(112,286)	80,692
		$ 1,531,349	($119,609)	$ 1,411,740

	Expected loss rate	Total carrying amount	Loss allowance	Total
December 31, 2019				
Not past due	0~4%	$1,094,141	($ 1,096)	$1,093,045
Overdue for 1–30 days	1~35%	252,890	(1,844)	251,046
Overdue for 31–60 days	4.4~76%	81,306	(2,273)	79,033
Overdue for 61–90 days	8.5~100%	44,522	(1,546)	42,976
Overdue for 91–180 days	10.6~100%	168,260	(21,337)	146,923
Overdue for 181 or more	26.7~100%	11,478	(11,478)	-
		$1,652,597	($39,574)	$1,613,023

(ii) For customers with good credit ratings, the Group adopts the loss rate method to calculate the expected credit loss because the expected credit impairment is not significant. The expected loss rate is 0.2%. The total amount of trade receivable as of December 31, 2020 and 2019 was NT$295,644 and NT$751,947, respectively, and the loss allowance was NT$823 and NT$1,716, respectively.

(iii) Based on historical experience, the Group conducts individual assessments to calculate expected credit losses for customers with higher credit risks, and 100% of the allowance for losses is provided. The total amount of trade receivable and loss allowance as of December 31, 2020 and 2019 were both NT$85,879 and NT$77,291, respectively.

viii. The table of the changes in the Group's simplified loss allowance for notes and trade receivable (including related parties), overdue receivables, and other trade receivable is as follows:

2020	Trade receivable	Overdue receivables	Other receivables	Total
January 1	$118,581	$578,960	$ 77,564	$ 775,105
Reclassification	(5,869)	5,869	-	-
Impairment loss recognized (reversed)	108,204	(406)	505	108,303
Write-off of unrecoverable accounts	(12,872)	(513,864)	-	(526,736)
Reversal of disposal of subsidiaries	(1,532)	(2,644)	-	(4,176)
Effect of exchange rate	(201)	-	-	(201)
December 31	$206,311	$ 67,915	$ 78,069	$ 352,295

2019	Trade receivable	Overdue receivables	Other receivables	Total
January 1	$ 57,361	$587,234	$ 77,564	$ 722,159
Impairment loss recognized (reversed)	8,780	(8,274)	-	506
Impairment loss attributable to discontinued operations	(1,427)	-	-	(1,427)
Loss allowance for acquisition through acquisition transaction	37,075	-	-	37,075
Write-off of unrecoverable accounts	(1,382)	-	-	(1,382)
Effect of exchange rate	18,174	-	-	18,174
December 31	$118,581	$578,960	$ 77,564	$ 775,105

Among the losses recognized in 2020 and 2019, the impairment losses recognized for receivables arising from customer contracts were NT$107,798 and NT$506, respectively.

c) Liquidity risk

i. The cash flow forecast is executed by each operating entity in the Group and is compiled by the Group's finance department. The Group's finance department monitors the forecast of the Group's liquidity requirements to ensure that it has sufficient funds to meet operational needs.

ii. The following table shows the Group's non-derivative financial liabilities and derivative financial liabilities that are settled on a net or total basis, grouped according to the relevant maturity dates. Non-derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the contract maturity date. Derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the expected maturity date. The contractual cash flows disclosed in the table below are the undiscounted amounts.

December 31, 2020 Non-derivative financial liabilities:	Within 1 year	1-2 years	2-5 years	Over 5 years
Short-term borrowings	$ 353,017	$ -	$ -	$ -
Notes payable	88,478	-	-	-
Trade payables	797,840	-	-	-
Other payables	1,127,022	-	-	-
Lease liabilities	69,606	63,216	112,689	15,562
Long-term borrowings (including due within one year or one operating cycle and estimated interest)	570,949	587,991	1,016,333	-
Long-term notes and trade payable (listed in other non-current liabilities)	-	-	-	63,507
Guarantee deposits received (listed in other current and non-current liabilities)	1,455	67	916	3,677

December 31, 2019

Non-derivative financial liabilities:	Within 1 year	1-2 years	2-5 years	Over 5 years
Short-term borrowings	$ 206,000	$ -	$ -	$ -
Notes payable	327,272	-	-	-
Trade payables	733,673	-	-	-
Other payables	1,218,841	-	-	-
Lease liabilities	71,450	34,475	29,304	-
Long-term borrowings (including due within one year or one operating cycle and estimated interest)	911,406	697,372	819,992	-
Long-term notes and trade payable (listed in other non-current liabilities)	-	-	-	63,507
Guarantee deposits received (listed in other non-current liabilities)	-	1,990	1,516	3,678
Derivative financial liabilities:				
Forward exchange agreements	$ 670	$ -	$ -	$ -

c. Fair value information

1) The fair value levels of the financial instruments and non-financial instruments measured using the valuation technique are defined as follows:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities on the measurement date. An active market refers to a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the listed stocks and beneficiary certificates invested by the Group belong to this level.

Level 2: Inputs, other than quoted market prices within level 1 that are observable, either directly or indirectly for assets or liabilities. The fair value of most of the derivatives invested by the Group belongs to this level.

Level 3: Unobservable inputs for assets or liabilities. The equity instruments without active markets invested by the Group belong to this level.

2) Financial instruments not measured at fair value

The carrying amounts of the Group's financial instruments not measured at fair value, including cash and cash equivalents, notes receivable, trade receivable, other receivables, financial assets at amortized cost, refundable deposits (listed in other current and non-current assets), overdue receivables (listed in other non-current assets), short-term borrowings, notes payables, trade payables, other payables, lease liabilities, long-term borrowings (including due within one year or one operating cycle), guarantee deposits received (listed in other non-current liabilities), and long-term notes and trade payable (listed in other non-current liabilities), are reasonable approximations of the fair values.

3) Financial and non-financial instruments measured at fair value are classified by the Group based on the nature, characteristics, risk, and the level of fair value of assets and liabilities. The relevant information is as follows:

a) The Group's classification is based on the nature of assets and liabilities. The relevant information is as follows:

December 31, 2020	Level 1	Level 2	Level 3	Total
Assets				
Fair value on a recurring basis				
Financial assets at fair value through profit or loss (FVTPL)				
Beneficiary certificates	$ 568,323	$ -	$ -	$ 568,323
Equity securities	6,686,533	-	-	6,686,533
Principal-protected film investment agreements	-	-	20,866	20,866
Privately offered funds	-	-	8,366	8,366
Forward exchange agreements	-	301	-	301
Financial assets at fair value through other comprehensive income (FVTOCI)				
Equity securities	-	-	369,487	369,487
Total	$ 7,254,856	$ 301	$ 398,719	$ 7,653,876

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
Fair value on a recurring basis				
Financial assets at fair value through profit or loss (FVTPL)				
Beneficiary certificates	$ 630,187	$ -	$ -	$ 630,187
Equity securities	5,633,057	-	-	5,633,057
Principal-protected film investment agreements	-	-	30,685	30,685
Financial assets at fair value through other comprehensive income (FVTOCI)				
Equity securities	-	-	427,196	427,196
Total	$ 6,263,244	$ -	$ 457,881	$ 6,721,125
Liabilities				
Fair value on a recurring basis				
Financial liabilities at fair value through profit or loss				
Forward exchange agreements	$ –	$ 670	$ –	$ 670

b) The methods and assumptions used by the Group to measure fair value are as follows:

i. The market quoted prices adopted by the Group as fair value inputs (i.e. Level 1) are listed below by characteristics:

	Listed stocks	Open-end Funds	Closed-end funds
Market quoted prices	Closing price	Net worth	Net worth

ii. Except for the above-mentioned financial instruments with active markets, the fair value of other financial instruments is obtained through valuation techniques or with reference to the quoted prices of counterparties.

iii. When evaluating non-standard and less complex financial instruments, the Group adopts the valuation techniques widely used by market participants. The parameters used in the valuation models for such financial instruments are usually market observable information.

iv. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present discounted value techniques and option pricing models. Forward exchange contracts are usually valued based on current forward exchange rates.

v. The output of the valuation models is an estimated value, and the valuation techniques may not reflect all the relevant factors of the financial instruments and non-financial instruments held by the Group. Therefore, the estimated value of the valuation models will be appropriately adjusted according to additional parameters.

4) There were no transfers between Level 1 and Level 2 fair value in 2020 and 2019.

5) The table below shows the changes in Level 3 fair value in 2020 and 2019:

	2020	2019
	Equity instruments	Equity instruments
On January 1_IFRS 9	$ 457,881	$ 406,899
Increase for the current period	9,047	42,019
Decrease for the current period	(9,819)	(15,709)
Listed in unrealized gain/loss on investments in equity instruments at FVTOCI - parent company	(29,422)	46,037
Listed in unrealized gain/loss on investments in equity instruments at fair value through other comprehensive income - non-controlling interests	(36)	1,857
Disposal of equity instruments at FVTOCI - parent company	861	2,994
Refund from capital reduction through equity instruments at FVTOCI	(15,021)	(11,385)
Effect of exchange rate	(14,772)	(14,831)
December 31	$ 398,719	$ 457,881

6) here were no transfers into or out of Level 3 fair value in 2020 and 2019.

7) In the Group's valuation process for fair value classified as Level 3, the strategic investment department is responsible for independent fair value verification for financial instruments, uses data from independent sources to make the valuation results close to the market level, and confirms that the source of the data is independent, reliable, consistent with other resources, and representative of the executable price, while regularly calibrating the valuation model, updating the inputs and data required by the valuation model, and making any other necessary fair value adjustments to ensure that the valuation results are reasonable.

8) The quantitative information on the significant unobservable inputs of the valuation model used in the Level 3 fair value measurement and the sensitivity analysis of the significant unobservable input change are explained as follows:

	Fair value on December 31, 2020	Valuation technique	Significant unobservable input	Interval (weighted average)	Relationship between input and fair value
Non-derivative equity instruments:					
Unlisted stocks	$ 275,039	Comparable public company approach	Price-to-earnings ratio, price-to-book ratio, enterprise value-to-operating income ratio, enterprise value-to-earnings before interest, taxes, depreciation, and amortization ratio, and lack of market liquidity discount	N/A	The higher the multiple, the higher the fair value; The higher the discount for market liquidity, the lower the fair value.
Stocks of venture capital companies	94,448	Net asset value method	N/A	N/A	N/A

	Fair value on December 31, 2019	Valuation technique	Significant unobservable input	Interval (weighted average)	Relationship between input and fair value
Non-derivative equity instruments:					
Unlisted stocks	$ 323,529	Comparable public company approach	Price-to-earnings ratio, price-to-book ratio, enterprise value-to-operating income ratio, enterprise value-to-earnings before interest, taxes, depreciation, and amortization ratio, and lack of market liquidity discount	N/A	The higher the multiple, the higher the fair value; The higher the discount for market liquidity, the lower the fair value.
Stocks of venture capital companies	103,667	Net asset value method	N/A	N/A	N/A

9) The Group has selected valuation model and valuation parameters after careful evaluation, but different valuation results may occur due to the use of different valuation models or valuation parameters.

13. Supplementary Disclosures

a. Information on significant transactions

1) Loans to others: Table 1.
2) Endorsements/Guarantees provided to others: Table 2.
3) Marketable securities held at the end of the period (disclosing those amounting to at least NT$100 million while excluding investment in subsidiaries, associates, and joint ventures): Table 3.
4) Marketable securities acquired or sold amounting to at least NT$300 million or 20% of the paid-in capital: Table 4.
5) Acquisition of real estate amounting to at least NT$300 million or 20% of the paid-in capital: N/A.
6) Disposal of real estate amounting to at least NT$300 million or 20% of the paid-in capital: Table 5.
7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 6.
8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 7.
9) Trading in derivative instruments: Notes 6(2) and (16).
10) Business relations and important transactions between parent company and subsidiaries and among subsidiaries and amounts: Table 8.

b. Information on investees

Information on name and location of investees (disclosing those with original investment amounting to at least NT$200 million at the end of the period while excluding investees in mainland China): Table 9.

c. Information on investments in mainland China

1) Basic information: Please refer to Table 10.

2) Significant transactions with investees in mainland China, either directly or indirectly, through a business in a third region, the prices, payment terms, and unrealized gains or losses: Note 7: Related-party transactions and Note 13(1)10.

d. Information on major shareholders

Information on major shareholders: Table 11.

14. Segment Information

a. General information.

The Group operates its business from the perspective of different industries, and divides its business into storage media segment, other optoelectronics segment, and other segments. The types of industries are as follows:

1) Storage media segment: Manufacturing and sales of consumer electronic products, including optical discs.
2) Other optoelectronic segment: Manufacturing and sales of panels and solar products.
3) Investment segment: Investment in various businesses.
4) Other segments: Audio-visual sales and business other than sales of optical discs.

b. Measurement of segment information

The profit or loss of the operating segments of the Group is measured based on operating income/loss after tax, which serves as the basis for performance evaluation. In addition, the accounting policies for the business segment of the Group are the same as the summary of significant accounting policies described in Note 4.

c. Information on profit or loss of segments

The information on segments to be reported to the chief operating decision maker is as follows:

2020

	Storage media segment	Other optoelectronics segment	Investment segment	Other segments	Adjustments and write-offs	Total
External revenue	$ 8,627,234	$ 328,474	$ -	$ 445,319	$ -	$ 9,401,027
Internal segment revenue	2,399,690	-	-	106,330	(2,506,020)	-
	$ 11,026,924	$ 328,474	$ -	$ 551,649	($ 2,506,020)	$ 9,401,027
Profit or loss of segments	$ 262,474	($ 109,015)	($ 44,360)	($ 163,107)	$ 178,835	$ 124,827
Profit or loss of segments includes:						
Depreciation and amortization	$ 737,512	$ 96,946	$ 1,245	$ 79,691	($ 22,466)	$ 892,928

2019

	Storage media segment	Other optoelectronics segment	Investment segment	Other segments	Adjustments and write-offs	Total
External revenue	$ 5,502,143	$ 439,323	$ 413,863	$ 790,290	$ -	$ 7,145,619
Internal segment revenue	562,370	-	-	41,108	(603,478)	-
Less: Revenue of discontinued operations	-	-	-	(100,372)	-	(100,372)
	$ 6,064,513	$ 439,323	$ 413,863	$ 731,026	($ 603,478)	$ 7,045,247
Profit or loss of segments	($ 782,496)	($ 903,405)	$ 2,265,098	($ 388,485)	$ 20,804	$ 211,516
Less: Profit or loss of discontinued operations	-	-	-	(43,930)	-	(43,930)
	($ 782,496)	($ 903,405)	$ 2,265,098	($ 432,415)	$ 20,804	$ 167,586
Profit or loss of segments includes:						
Depreciation and amortization	$ 892,979	$ 223,881	$ 1,724	$ 131,759	($ 22,567)	$ 1,227,776
Less: Depreciation and amortization of discontinued operations	-	-	-	(8,699)	-	(8,699)
	$ 892,979	$ 223,881	$ 1,724	$ 123,060	($ 22,567)	$ 1,219,077

The impact of the Group's adoption of IFRS 16 "Leases" on the segment information for the year 2019 is as follows:

2019	Storage media segment	Other optoelectronics segment	Investment segment	Other segments	Adjustments and write-offs	Total
Increase in depreciation expenses	$ 13,819	$ 21,407	$ -	$ 45,770	($ 22,567)	$ 58,429
Less: Depreciation expenses of discontinued operations	-	-	-	(7,147)	-	($ 7,147)
	$ 13,819	$ 21,407	$ -	$ 38,623	($ 22,567)	$ 51,282

d. Information on the reconciliation of profit or loss of segments

As the Group's information on pre-tax profit or loss of the segments to be reported is consistent with that of continuing operations, so no reconciliation is required.

e. Information on products and services

Please Note 6(25) for details.

f. Geographical region information

Geographical region information for 2020 and 2019 is as follows:

	2020		2019	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$530,907	$6,387,866	$914,784	$6,917,237
Americas	1,885,859	68,627	1,563,728	59,693
Japan	2,202,914	3,218	1,682,209	13,697
Asia	590,843	6,020	676,716	14,542
Mainland China	379,918	514,190	325,147	544,541
Europe	2,649,268	207,171	1,109,835	123,842
Others	1,161,318	35,132	873,200	32,294
Less: Revenue attributable to discontinued operations		-	(100,372)	-
Total	$9,401,027	$7,222,224	$7,045,247	$7,705,846

g. Major customer information

The Group only had one individual customer from the storage media segment who accounted for at least 10% of its operating income in 2020 and 2019, with the amount of NT$1,277,673 and NT$1,882,428, respectively.

CMC Magnetics Corporation and Its Subsidiaries

Loans to Others
For the Year Ended December 31, 2020
Unit: NT$ thousands (Unless specified otherwise)

No. (Note 1)	Lender	Borrower	Financial Statement Account (Note 2)	Related Party Status	Highest Amount of the Period (Note 3)	Ending Balance (Note 14)	Actual Amount Drawn Down	Range of Interest Rates (%)	Type of Lending (Note 4)	Amount of Transaction (Note 5)	Reason for Short-term Financing (Note 6)	Loss Allowance Provided	Collateral		Limit for Individual Borrower	Total Limit	Remarks
													Name	Value			
0	The Company	Sun Well	Other receivables -Related party	Y	$1,175,300	$1,175,300	$1,175,300	1.7	2	$-	Working capital	$-	Movable property	$253,122	$2,846,486	$7,590,630	Note 7
0	The Company	EMCH	Other receivables -Related party	Y	697,360	213,560	213,560	1.55	2	-	Working capital	-	-	-	2,846,486	7,590,630	Note 7
1	CMC Movie	Asia 1 Entertainment	Other receivables	Y	34,000	34,000	34,000	1.17	2	-	Working capital	-	-	-	68,773	68,773	Note 8
2	EMCH	Fortune (Jiangsu) Electronic Materials Co., Ltd.	Other receivables	Y	250,090	250,090	250,090	0	2	-	Working capital	-	-	-	557,202	1,485,871	Note 10
2	EMCH	VJP	Other receivables	Y	28,110	27,250	27,250	0	2	-	Working capital	-	-	-	557,202	1,485,871	Note 10
3	SuperNet	FJKL	Other receivables	N	10,612	-	-	0	2	-	Working capital	-	-	-	140,500	157,071	Notes 11 and 15
4	Yongxing Electronic	Sun Biotech Limited	Other receivables	Y	16,502	9,883	9,883	4.35	2	-	Working capital	-	-	-	47,609	47,609	Note 8
5	CMC Entertainment	Asia 1 Entertainment	Other receivables	Y	10,000	-	-	1.17	2	-	Working capital	-	-	-	20,302	20,302	Note 8
6	Deltamac	Asia 1 Entertainment	Other receivables	Y	19,673	13,148	11,897	2.4	1	2,808	Working capital	25	-	-	2,808	154,578	Notes 12 and 16
7	CHC International Investment Corporation	Asia 1 Entertainment	Other receivables	Y	280,000	220,000	217,000	1.5	2	-	Working capital	-	-	-	300,000	1,487,698	Note 9
8	VAU	VHK	Other receivables	Y	45,308	-	-	2.328	2	-	Working capital	-	-	-	374,806	374,806	Note 13

Note 1: The information on funds lent between the Company and its subsidiaries shall be entered as follows:
(1) The Company is coded "0".
(2) The subsidiaries are coded sequentially beginning from "1" by each individual company.

Note 2: The financial statement accounts including trade receivable from associates, amount receivable from related parties, shareholders' transactions, advance payments, temporary debits, etc.; in the case of lending of funds, this field shall be entered.

Note 3: The maximum balance of loans to others in the current year.

Note 4: The nature of lending of funds shall be listed as business transactions or necessary for short-term financing.
(1) In the case of business transactions, please enter 1.
(2) If there is a need for short-term financing, please enter 2.

Note 5: If the nature of lending of funds belongs to business transactions, the amount of business transactions shall be entered. The amount of business transactions refers to the amounts of business transactions between the lender and the borrower in the most recent year.

Note 6: If the nature of lending of funds belongs to a need for short-term financing, the reasons for the necessity of the lending and the purpose of borrowing, such as repayment of loans, purchase of equipment, or working capital shall be specified.

Note 7: The total funds lent shall be limited to 40% of the current net worth of the lender. For subsidiaries in which the Company holds 50% of the shares directly and indirectly and with which the Company conducts business, the limit on the funds lent to each of said subsidiaries is 15% of the Company's net worth or the total business transaction amount between both parties, whichever is higher. For subsidiaries in which the Company holds 50% of the shares directly and indirectly without business conducted between both parties, the limit on the funds lent to each of said subsidiaries is 15% of the Company's net worth.

Note 8: The upper limit on the funds lent is 40% of the current net worth of the lender.
The limit on the funds lent to each entity is 40% of the net worth of the lender.

Note 9: The upper limit on the funds lent is 40% of the current net worth of the lender. The limit on the funds lent to each entity shall not exceed NT$300,000.
The upper limit on the parent company's loans to others shall not exceed 40% of the company's net worth.

Note 10: The upper limit on the funds lent is 40% of the current net worth of the lender. The limit on the funds lent to each entity shall not exceed US$10,000 thousand. For subsidiaries in which the Company holds 50% of the shares directly and indirectly without business conducted between both parties, the limit on the funds lent to each of said subsidiaries is 15% of the Company's net worth. For foreign companies in which the parent company holds 100% of the shares directly and indirectly, the upper limit on the funds lent shall not exceed 50% of the Company's current net worth.

Note 11: The upper limit on the funds lent is 40% of the current net value of the lender. For companies in which the Company does not hold 50% of the shares directly or indirectly without business conducted between both parties, the limit on the funds lent to each of said companies shall not exceed US$5,000 thousand.

Note 12: The upper limit on the funds lent shall not exceed 40% of the net worth in the current period; if it is a business transaction, it shall not exceed the transaction amount. The "business transaction amount" refers to the purchase or sale of goods between both parties, whichever is higher.

Note 13: The upper limit on the funds lent shall not exceed the current net worth of the lender. For the parent company and foreign companies in which the parent company holds 100% of the shares directly and indirectly, the limit on the funds lent shall not exceed the net worth of the Company.

Note 14: The translation is based on the original currency multiplied by the exchange rate at the end of the period.

Note 15: Relevant processing procedures have been reported to the board of directors in accordance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees.

Note 16: On March 8, 2021, the Deltamac's board of directors approved an improvement plan to improve the situation of excess of loans to others.

TABLE 2

CMC Magnetics Corporation and Its Subsidiaries

Endorsements/Guarantees Provided to Others
For the Year Ended December 31, 2020
Unit: NT$ thousands (Unless specified otherwise)

No. (Note 1)	Company Name (Endorsement/Guarantee Provider)	Party Endorsed/Guaranteed: Company Name	Party Endorsed/Guaranteed: Relationship (Note 2)	Limit of Endorsement/Guarantee for a Single Entity	Maximum Balance of Endorsement/Guarantee For the Current Period (Note 4)	Balance of Endorsement/Guarantee, End of Period (Note 5)	Actual Amount Drawn Down (Note 6)	Endorsement/Guarantee Secured with Collateral	Cumulative Endorsements/Guarantees to the Net Equity in the Latest Financial Statements (%)	Upper Limit of Endorsements/Guarantees	Parent to subsidiary (Note 7)	Subsidiary to parent (Note 7)	To Entity in Mainland China (Note 7)	Remarks
1	CMC Entertainment	CMC Entertainment Hub	4	$15,226	$1,632	$1,632	$ -	$ -	3.22	$15,226	N	N	N	Note 3

Note 1: The description of No. column is as follows:
(1) The issuer is coded "0".
(2) The investees are coded sequentially beginning from "1" by each individual company.

Note 2: There are seven types of relationships between the endorsement/guarantee provider and the endorsed/guaranteed party. Just enter the code:
(1) A company with which it conducts business.
(2) A subsidiary in which the Company holds at least 50% of the voting shares directly and indirectly.
(3) A company that holds at least 50% of the Company's voting shares directly and indirectly.
(4) Between companies in which the Company holds at least 90% of the voting shares directly and indirectly.
(5) Between companies in the same industry or joint applicants to undertake projects who are required to provide mutual endorsements/guarantees to the other company in accordance with the contractual terms.
(6) Companies that are endorsed and guaranteed by all shareholders based on their shareholding ratios because of a joint investment relationship.
(7) The joint guarantee for the performance of a pre-sale property sales contract between entities in the same industry in accordance with the Consumer Protection Act.

Note 3: The upper limit of CMC Entertainment endorsements/guarantees to external entities shall not exceed 30% of its net worth of the current period, and the limit of endorsement/guarantee to a single enterprise shall not exceed 30% of its net worth of the current period.

Note 4: The maximum balance of endorsements/guarantees provided to others in the current year.

Note 5: As of the balance sheet date, when the amount of an endorsement/guarantee contract or bill signed by the Company with a bank is approved, the Company shall assume the endorsement/ guarantee responsibility; other relevant endorsements/guarantees shall be included in the endorsement/guarantee balance.

Note 6: The actual amount drawn down by the endorsed/guaranteed company within the endorsement/guarantee balance shall be entered.

Note 7: "Y" shall be entered only for the endorsement/guarantee provided by the publicly listed parent company to subsidiary, by subsidiary to the publicly listed parent company, and to entities in mainland China.

Note 8: As of December 31, 2020, Transtouch's balance of customs guarantee provided to the Customs Office for post-release duty payments was NT$2,261.

CMC Magnetics Corporation and Its Subsidiaries

Marketable Securities Held at the End of the Period (Excluding Investment in Subsidiaries, Associates, and Joint Ventures)
For the Year Ended December 31, 2020
Unit: NT$ thousands (Unless specified otherwise)

Securities held by	Type and Name of Securities (Note 1)	Relationship with Securities Issuer	General Ledger Account	End of Period				Remarks
				Number of Shares	Carrying Amount (Note 2)	Shareholding Percentage (%)	Fair Value	
The Company	Stock of Taiwan High Speed Rail Corporation		Financial assets at FVTPL - current	39,133,000	$ 1,299,241	0.7	$ 1,240,516	
	Stock of Chateau International Development Company Limited		"	12,391,421	386,650	11.11	354,395	
	Stock of FarGlory Hotel Co., Ltd		"	3,346,000	98,042	3.19	173,657	
	Stock of United Microelectronics Corp.		"	4,553,000	213,668	0.04	214,674	
	Stock of Chung Hsin Electric & Machinery Manufacturing Corporation		"	6,557,000	362,566	1.38	351,455	
	Stock of Tainan Enterprises Co., Ltd.		"	13,645,000	364,779	9.27	259,937	
	Stock of Largan Precision Company Limited		"	148,000	489,726	0.11	472,860	
	Stock of Tatung Company		"		228,858		235,961	
			Adjustment to valuation		(140,075)		-	
					$ 3,303,455		$ 3,303,455	
	Stock of Taiwan High Speed Rail Corporation		Financial assets at FVTPL - non-current	28,500,000	$946,219	0.51	$ 903,450	Note 3
	Stock of FarGlory Hotel Co., Ltd		"	5,000,000	146,505	4.76	259,500	Note 3
	Stock of Chateau International Development Company Limited		"	3,800,000	118,572	3.41	108,680	Note 3
	Stock of Big Sunshine Co., Ltd.		"		6,616		32,826	
			Adjustment to valuation		86,544		-	
					$ 1,304,456		$ 1,304,456	
	Stock of Riselink Venture Capital Corp.		Financial assets at FVTOCI - non-current		$5,920			
			Adjustment to valuation		41,521			
					$ 47,441		$ 47,441	

Note 1: The securities mentioned in this table refer to stocks, bonds, beneficiary certificates, and securities derived from the items above that fall within the scope of IFRS 9 "Financial Instruments".
Note 2: For those measured at fair value, please fill in the carrying amount after fair value valuation adjustment.
Note 3: The Company pledged securities of NT$1,271,630 as collateral as of December 31, 2020.

CMC Magnetics Corporation and Its Subsidiaries

Marketable Securities Held at the End of the Period (Excluding Investment in Subsidiaries, Associates, and Joint Ventures)
For the Year Ended December 31, 2020
Unit: NT$ thousands (Unless specified otherwise)

Securities held by	Type and Name of Securities (Note 1)	Relationship with Securities Issuer	General Ledger Account	End of Period				Remarks
				Number of Shares	Carrying Amount (Note 2)	Shareholding Percentage (%)	Fair Value	
CHC International Investment Corporation	Stock of FarGlory Hotel Co., Ltd		Financial assets at FVTPL - current	9,078,000	$ 216,330	8.65	$ 471,148	
	Shin Kong Financial Holding Co.,Ltd. Preferred Shares B		"	3,309,000	145,968	1.49	140,136	
	Stock of FDC International Hotels Corporation		"		83,971		113,152	
			Adjustment to valuation		278,167		-	
					$ 724,436		$ 724,436	
	Stock of Chateau International Development Company Limited		Financial assets at FVTPL - non-current	5,928,269	$ 162,833	5.32	$ 169,548	
	Millerful No.1 REIT		"		200,231		210,800	Note 3
	Cathay No.1 Real Estate Investment Trust		"		228,081		280,650	Note 3
	Stock of Taiwan High Speed Rail Corporation		"	25,251,000	908,883	0.45	800,457	Note 3
	Stock of Tainan Enterprises Co., Ltd.		"	9,521,000	254,986	6.47	181,375	
	Stock of Chung Hsin Electric & Machinery Manufacturing Corporation		"	2,256,730	54,706	0.47	120,960	
			Adjustment to valuation		(45,930)		-	
					$ 1,763,790		$ 1,763,790	
	Stock of Orgchem Technologies, Inc.		Financial assets at FVTOCI - non-current		$ 123,652			
			Adjustment to valuation		(44,049)			
					$ 79,603		$ 79,603	

Note 1: The securities mentioned in this table refer to stocks, bonds, beneficiary certificates, and securities derived from the items above that fall within the scope of IFRS 9 "Financial Instruments".
Note 2: For those measured at fair value, please fill in the carrying amount after fair value valuation adjustment.
Note 3: As of December 31, 2020, CHC International Investment Corporation pledged securities of NT$285,300 and beneficiary certificates of NT$491,450 as collateral.

TABLE 3

CMC Magnetics Corporation and Its Subsidiaries

Marketable Securities Held at the End of the Period (Excluding Investment in Subsidiaries, Associates, and Joint Ventures)
December 31, 2020
Unit: NT$ thousands (Unless specified otherwise)

Securities held by	Type and Name of Securities (Note 1)	Relationship with Securities Issuer	General Ledger Account	End of Period				Remarks
				Number of Shares	Carrying Amount (Note 2)	Shareholding Percentage (%)	Fair Value	
CIA	Stock of Transpac Corporation		Financial assets at FVTOCI - non-current		$ 7,901			
			Adjustment to valuation		2,192			
					$ 10,093		$ 10,093	
Supernet	in Shanghai-Hong Kong Stock Connect		Financial assets at FVTPL - current		$ 93,768			
			Adjustment to valuation		-33,442			
					$ 60,326		$ 60,326	
	Stock of High Connection Density, Inc.		Financial assets at FVTOCI - non-current		$ 135,073			
			Adjustment to valuation		12,462			
					$ 147,535		$ 147,535	
CMC Movie	Principal-protected film investment agreements		Financial assets at FVTPL - non-current		$ 20,866		$ 20,866	
	Stock of Mandarin Vision Co., Ltd.		Financial assets at FVTOCI - non-current		$ 21,500			
			Adjustment to valuation		(17,213)			
					$ 4,287		$ 4,287	

Note 1: The securities mentioned in this table refer to stocks, bonds, beneficiary certificates, and securities derived from the items above that fall within the scope of IFRS 9 "Financial Instruments".
Note 2: For those measured at fair value, please fill in the carrying amount after fair value valuation adjustment.

TABLE 3

CMC Magnetics Corporation and Its Subsidiaries

Marketable Securities Held at the End of the Period (Excluding Investment in Subsidiaries, Associates, and Joint Ventures)
December 31, 2020
Unit: NT$ thousands (Unless specified otherwise)

Securities held by	Type and Name of Securities (Note 1)	Relationship with Securities Issuer	General Ledger Account	End of Period: Number of Shares	End of Period: Carrying Amount (Note 2)	End of Period: Shareholding Percentage (%)	End of Period: Fair Value	Remarks
Deltamac	Common stock of Self Pick Inc.		Financial assets at FVTOCI - non-current	500,000	$ 828	6.25		
			Adjustment to valuation		(467)			
					$ 361		$ 361	
Transtouch	Mega 3-Year Maturity Emerging Market Bond Fund		Financial assets at FVTPL - current		$ 78,335			
	Taiwan Cement Corp. 2nd Preferred Shares		"		20,000			
			Adjustment to valuation		58			
					$ 98,393		$ 98,393	
	Privately offered fund—First Financial–UBS Global Real Estate Private Equity Securities Investment Trust Fund		Financial assets at FVTPL - non-current		$ 9,047			
			Adjustment to valuation		(681)			
					$ 8,366		$ 8,366	
EMCH	CDIB Yida Private Equity (Kunshan) Biomedical Equity Investment Fund		Financial assets at FVTOCI - non-current		$ 20,700			
			Adjustment to valuation		311			
					$ 21,011		$ 21,011	
Yongxing Electronic	CDIB Yida Private Equity (Kunshan) Investment Fund		Financial assets at FVTOCI - non-current		$ 58,210			
			Adjustment to valuation		946			
					$ 59,156		$ 59,156	

Note 1: The securities mentioned in this table refer to stocks, bonds, beneficiary certificates, and securities derived from the items above that fall within the scope of IFRS 9 "Financial Instruments".
Note 2: For those measured at fair value, please fill in the carrying amount after fair value valuation adjustment.

CMC Magnetics Corporation and Its Subsidiaries

Marketable Securities Acquired or Sold Amounting to at Least NT$300 Million or 20% of the Paid-in Capital
For the Year Ended December 31, 2020
Unit: NT$ thousands (Unless specified otherwise)

							Acquired (Note 3)		Sold (Note 3)				End of Period	
Trading Company	Type and Name of Securities (Note 1)	General Ledger Account	Counterparty (Note 2)	Relationship (Note 2)	Number of Shares, Beginning of Period (Thousand Shares)	Amount	Number of Shares (Thousand Shares)	Amount	Number of Shares (Thousand Shares)	Selling Price	Book Cost	Gains or Losses on Disposal	Number of Shares (Thousand Shares)	Amount
The Company	Stock of Taiwan High Speed Rail Corporation	Financial assets at FVTPL - current and non-current	-	-	63,547	$ 2,463,011	91,465	$ 2,938,087	87,379	$ 2,941,371	$ 3,155,638	($ 214,267)	67,633	$ 2,245,460
	Stock of Chung Hsin Electric & Machinery Manufacturing Corporation	Financial assets at FVTPL - current	-	-	4,365	93,966	43,965	1,934,576	41,773	1,767,696	1,665,976	101,720	6,557	362,566
	Stock of United Microelectronics Corp.	"	-	-	-	-	58,796	1,968,262	54,243	1,841,771	1,754,594	87,177	4,553	213,668
	Stock of Tatung Company	"	-	-	2,207	47,132	37,542	725,486	37,561	795,928	729,170	66,758	2,188	43,448
	Stock of Hon Hai Precision Industry Co., Ltd.	"	-	-	-	-	8,165	672,485	8,165	657,214	672,485	(15,271)	-	-
	Stock of Taiwan Semiconductor Manufacturing Co., Ltd.	"	-	-	-	-	9,403	3,647,722	9,403	3,739,165	3,647,722	91,443	-	-
	Stock of Fubon Financial Holding Co., Ltd.	"	-	-	-	-	14,796	620,025	14,796	617,642	620,025	(2,383)	-	-
	Stock of Cathay Financial Holdings	"	-	-	-	-	10,660	423,194	10,660	423,358	423,194	164	-	-
	Stock of CTBC Financial Holding Co., Ltd.	"	-	-	-	-	16,729	337,793	16,729	326,623	337,793	(11,170)	-	-
	Stock of First Financial Holding Co., Ltd.	"	-	-	-	-	20,311	436,188	20,311	444,571	436,188	8,383	-	-
	Stock of Largan Precision Company Limited	"	-	-	-	-	1,509	5,129,684	1,361	4,619,085	4,639,958	(20,873)	148	489,726
	Stock of the Shanghai Commercial & Savings Bank, Ltd.	"	-	-	-	-	10,318	431,971	10,318	431,373	431,971	(598)	-	-
	Stock of Globalwafers. Co., Ltd.	"	-	-	-	-	1,947	793,642	1,947	780,609	793,642	(13,033)	-	-
CHC International Investment Corporation	Stock of Tatung Company	Financial assets at FVTPL - current	-	-	2,028	43,101	45,479	931,059	44,851	922,684	903,082	19,602	2,656	71,078
Supernet	Stock of Sands China Limited	Financial assets at FVTPL - current	-	-	16	2,235	4,082	472,434	4,074	474,909	471,671	3,238	24	2,998

Note 1: The securities mentioned in this table refer to stocks, bonds, beneficiary certificates, and securities derived from the items above.
Note 2: For securities recognized as investments accounted for using the equity method, these two columns must be entered, with the remaining columns left blank.
Note 3: Accumulated amounts of marketable securities acquired or disposed of shall be calculated separately based on market prices to determine whether they amount to $300 million or 20% of the paid-in capital.

TABLE 5

CMC Magnetics Corporation and Its Subsidiaries

Disposal of Real Estate Amounting to at Least NT$300 Million or 20% of the Paid-in Capital
For the Year Ended December 31, 2020
Unit: NT$ thousands (Unless specified otherwise)

Unit: NT$ thousands (Unless specified otherwise)

Company	Asset	Date of Occurrence	Original Acquisition Date	Carrying amount	Transaction Amount	Proceeds Collection	Gains or Losses on Disposal	Counterparty	Relationship	Purpose of Disposal	Basis or Reference for Price Setting	Other Agreed Matters
Jet-Thai	Land, buildings and structures	December 10, 2019 (Note 4)	May 23, 2007	$271,828	$505,441	Proceeds fully collected	$212,335	TPV Technology (Thailand) Co., Ltd.	Non-related party	To increase working capital and improve financial structure	Note 1	N/A

Note 1: The price was determined with reference to the valuation report issued by Tobtavee Appraisal And Service Co., Ltd.

Note 2: The amount of paid-in capital refers to the amount of paid-in capital of the parent company. If the issuer's stock has no par value or the par value per share is not NT$10, the transaction amount of 20% of the paid-in capital shall be calculated based on the 10% of the equity attributable to owners of the parent company on the balance sheet.

Note 3: The date of occurrence refers to the date when the transaction contract is signed, the payment date, the date of transaction made by agents, the ownership transfer date, the board resolution date, or the date when the transaction counterparty and transaction amount are fully determined, whichever is earlier.

Note 4: The transaction was completed in 2020.

TABLE 6

CMC Magnetics Corporation and Its Subsidiaries

Total Purchases from or Sales to Related Parties Amounting to at least NT$100 Million or 20% of the Paid-in Capital
For the Year Ended December 31, 2020
Unit: NT$ thousands (Unless specified otherwise)

Company	Counterparty	Relationship	Transaction				Situation and Reason that Transaction Conditions are Different from General Ones (Note 1)		Notes/Trade Receivable (Payable)		Remarks (Note2)
			Purchase (Sale)	Amount	Proportion to Total Purchases (Sales)	Credit Period	Unit Price	Credit Period	Balance	Proportion to Total Notes/Trade Receivable (Payable)	
The Company	F Fortune (Jiangsu) Multimedia Co., Ltd.	Subsidiary of sub-subsidiary	Purchase	$118,425	6%	As it is between parent and sub-subsidiary, the credit period is slightly longer than that of general customers	Equivalent to non-related party	As it is between parent and sub-subsidiary, the credit period is slightly longer than that of general customers	$4,761	1%	
〃	〃	〃	Sale	173,692	4%	〃	〃	〃	86,387	7%	
〃	VJP	Sub-subsidiary	Sale	987,241	25%	No significant difference from general transactions	〃	No significant difference from general transactions	491,102	42%	
〃	VUS	〃	Sale	457,972	12%	〃	〃	〃	78,469	7%	
〃	VGmbH	〃	Sale	342,493	9%	〃	〃	〃	57,310	5%	
VHK	Fortune (Jiangsu) Multimedia Co., Ltd.	Sister companies	Sale	134,033	26%	〃	〃	〃	91,280	62%	

Note 1: If related-party transaction terms are different from general transaction terms, situations and reasons for the differences shall be specified in the unit price and the credit period columns.
Note 2: In case of advance receipts (prepayments), reasons, the terms of the agreement, the amount and differences from the general transactions shall be specified in the Remarks column.

CMC Magnetics Corporation and Its Subsidiaries

Receivables from Related Parties Amounting to at Least NT$100 Million or 20% of the Paid-in Capital
December 31, 2020
Unit: NT$ thousands (Unless specified otherwise)

Company under Trade Receivable	Counterparty	Relationship	Balance of Trade Receivable from Related Parties (Note1)	Turnover Rate (Times)	Overdue Receivables from Related Parties		Recovered Amount from Related Party After Balance Sheet Date	Loss Allowance Provided
					Amount	Response Method		
The Company	Sun Well	Subsidiary	$1,195,992	Note 2	$ -	-	$ -	$ -
〃	VJP	Sub-subsidiary	491,102	4.02	256,242	-	256,242	1,278
〃	EMCH	Subsidiary	214,587	Note 2	-	-	-	-
EMCH	Fortune (Jiangsu) Multimedia Co., Ltd.	Sub-subsidiary	250,090	Note 2	-	-	-	-
CHC International Investment Corporation	Asia 1 Entertainment	Sister companies	217,000	Note 2	-	-	-	-

Note 1: Please enter respectively according to trade receivable from related parties, notes receivables, other receivables, etc.
Note 2: It is other receivables arising from funds lent, so it is not applicable.

CMC Magnetics Corporation and Its Subsidiaries

Business Relations and Important Transactions Between Parent Company and Subsidiaries and Among Subsidiaries and Amounts
For the Year Ended December 31, 2020
Unit: NT$ thousands (Unless specified otherwise)

No. (Note 1)	Company	Counterparty	Nature of Relationship (Note 2)	Transaction Details: General Ledger Account	Transaction Details: Amount (Note 7)	Transaction Details: Transaction Conditions	Transaction Details: Proportion to Total Consolidated Revenue or Assets (Note 3)
0	The Company	Fortune (Jiangsu) Multimedia Co., Ltd.	1	Purchase	$118,425	Note 5	1.26%
〃	〃	〃	1	Sale	173,692	Note 4	1.85%
〃	〃	〃	1	Trade receivable	86,387	Note 4	0.35%
〃	〃	EMC H	1	Other receivables	214,587	Note 6	0.87%
〃	〃	Sun Well	1	Other receivables	1,195,992	Note 6	4.82%
〃	〃	VJP	1	Sale	987,241	Note 4	10.50%
〃	〃	〃	1	Trade receivable	491,102	Note 4	1.98%
〃	〃	VUS	1	Sale	457,972	Note 4	4.87%
〃	〃	〃	1	Trade receivable	78,469	Note 4	0.32%
〃	〃	VGmbH	1	Sale	342,493	Note 4	3.64%
〃	〃	〃	1	Trade receivable	57,310	Note 4	0.23%
〃	〃	VHK	1	Sale	66,188	Note 4	0.70%
1	EMC H	Fortune (Jiangsu) Multimedia Co., Ltd.	1	Other receivables	250,090	Note 6	1.01%
2	CHC International Investment Corporation	Asia 1 Entertainment	3	Other receivables	217,000	Note 6	0.87%
3	VHK	Fortune (Jiangsu) Multimedia Co., Ltd.	3	Sale	134,033	Note 4	1.43%
〃	〃	〃	3	Trade receivable	91,280	Note 4	0.37%

Note 1: The information on transactions between the parent company and its subsidiaries shall be indicated in the No. column as follows:
(1) The parent company is coded "0".
(2) The subsidiaries are coded sequentially beginning from "1" by each individual company.

Note 2: There are three types of relationships with the company. Just enter the code:
(1) Parent to subsidiary
(2) Subsidiary to parent
(3) Between subsidiaries

Note 3: Regarding the proportion of transaction amount to the total consolidated revenue or assets, if it is recognized in the balance sheet account, it is shown with the ending balance as a percentage of the total consolidated assets; if it is in the profit or loss account, it is shown with the cumulative amount throughout the period as a percentage of the total consolidated revenue.

Note 4: The Company's transaction price for related parties is equivalent to that for non-related parties; the payment term for overseas subsidiaries and sub-subsidiaries is 60 to 120 days after the arrival of goods. The payment term for general overseas customers is 30 to 120 days after the arrival of goods, and for general domestic customers, it is open account (O/A) with net 90 to 120 days.

Note 5: The Company does not have the same type of company for comparison in terms of the purchases from Fortune (Jiangsu) Multimedia Co., Ltd.
. In addition to the payment terms of Fortune (Jiangsu) Multimedia Co., Ltd., which is O/A with net 90 days, the payments to other related parties is all O/A with net 90 days.

Note 6: It refers to receivable for funds lent and advance payment receivable.

Note 7: Individual amounts less than NT$50,000 will not be disclosed, and the transactions between both parties will no longer be disclosed.

TABLE 9

CMC Magnetics Corporation and Its Subsidiaries

Information on Name and Location of Investees (Excluding Investees in Mainland China)
For the Year Ended December 31, 2020
Unit: NT$ thousands (Unless specified otherwise)

Investor	Name of Investee (Notes 1 and 2)	Location	Principal Business	Original Investment Cost		Shares Held at the End of Period			Profit or Loss on Investee (Note 2(2))	Investment Gains or Losses Recognized for Current Period (Note 2(3))	Remarks
				End of Current Period	End of Last Year	Number of Shares	Percentage (%)	Carrying amount			
The Company	EMCH	Cayman Islands	Professional investment company	$ 10,453,855	$ 10,453,855	61,527	100.00	$ 3,605,849	$290,276	$396,279	Subsidiary of the Company
〃	CIA	Cayman Islands	Professional investment company	872,018	872,018	29,688,245	86.35	408,452	(10,277)	(8,874)	〃
〃	CHC International Investment Corporation	Taiwan	Investment in various production businesses	180,421	180,421	261,595,273	100.00	3,457,629	(59,216)	(2,828)	〃
〃	CMC Movie	Taiwan	Motion picture distribution	1,297,918	1,297,918	35,000,000	100.00	173,381	(7,371)	(7,371)	〃
〃	Asia 1 Entertainment	Taiwan	Film distribution, video tape production and distribution, and retail of toys	856,125	856,125	11,868,528	93.59	(246,401)	(10,763)	(10,073)	〃
〃	SUMAGH	Taiwan	Dyeing and finishing of cloth, weaving, processing, and trading of various textiles, as well as manufacturing and trading of electronic products	-	1,709,291	-	-	-	-	(834)	Note 4
〃	CMC Entertainment	Taiwan	Film production and distribution industry	714,888	714,888	66,400,000	100.00	50,754	7,932	7,932	Subsidiary of the Company
〃	Transtouch	Taiwan	Production and sales of touch panels and other products	515,768	515,768	15,353,223	52.60	376,723	(32,645)	(16,047)	〃
〃	Sun Well	Taiwan	Production and sales of thin-film solar cells	3,516,412	3,516,412	154,991,112	98.82	(848,093)	(74,565)	(73,685)	〃
〃	Sun Q	Taiwan	Production and sales of crystalline silicon solar panels	664,676	664,676	64,052,000	58.20	(22,310)	(1,806)	(1,051)	〃
〃	Deltamac	Taiwan	Sales of audio-visual CD products	377,635	377,635	14,892,015	38.91	176,181	2,428	66	〃
〃	CMC Entertainment Hub	Taiwan	Shopping mall business	260,000	220,000	13,300,000	100.00	97,022	(35,595)	(35,595)	〃
EMCH	F5	U.S.	Professional investment company	3,704,046	2,346,049	23,464	100.00	1,456,356	(38,442)	-	Sub-subsidiary of the Company (Note 3)
〃	MFLLC	U.S.	Professional investment company	1,283,980	1,283,980	-	100.00	360,576	(69,213)	-	〃
〃	Jet-Thai	Thailand	Production and sales of optical discs	4,207,638	4,207,638	49,200,416	100.00	559,684	215,506	-	〃

Investor	Name of Investee (Notes 1 and 2)	Location	Principal Business	Original Investment Cost		Shares Held at the End of Period			Profit or Loss on Investee (Note 2(2))	Investment Gains or Losses Recognized for Current Period (Note 2(3))	Remarks
				End of Current Period	End of Last Year	Number of Shares	Percentage (%)	Carrying amount			
EMCH	VJP	Japan	Trading of storage media and electronic products	$16,368	$2,476	5,900	100	$29,347	$13,901	-	Sub-subsidiary of the Company (Note 3)
〃	VUS	U.S.	Trading of storage media and electronic products	-	1,418,407	-	-	-	-	-	〃
〃	VAU	Australia	Trading of storage media and electronic products	411,105	411,105	100,000	100	374,806	43,456	-	〃
〃	VGmbH	Germany	Trading of storage media and electronic products	731,912	731,912	-	100	822,380	67,992	-	〃
〃	VHK	Hong Kong	Trading of storage media and electronic products	136,683	52,383	1,170,500	100	130,368	(3,386)	-	〃
〃	Others	Others		-	-	-	-	(7,742)	-	-	Note 3
F5	HOTAN	U.S.	Trading of electronic products, including floppy discs and optical discs	406,287	466,697	14,990,000	100	109,879	(45,360)	-	Subsidiary of F5, sub-subsidiary of the Company (Note 3)
〃	VUS	U.S.	Trading of storage media and electronic products	1,418,407	-	-	100	1,337,446	8,857	-	〃
CIA	SuperNet	British Virgin Islands	Professional investment company	577,337	577,337	5,720,085	100	425,785	(8,420)	-	Sub-subsidiary of the Company (Note 3)
〃	Others	Others		-	-	-	-	78,516	-	-	Note 3
CHC International Investment Corporation	CIA	Cayman Islands	Professional investment company	111,185	111,185	4,692,049	13.65	95,870	(10,277)	-	Subsidiary of the Company (Note 3)
〃	SUMAGH	Taiwan	Dyeing and finishing of cloth, weaving, processing, and trading of various textiles, as well as manufacturing and trading of electronic products	-	483,606	-	-	-	-	-	Note 4
〃	Vie Show Cinemas	Taiwan	Operation and management of cinemas, restaurants, and amusement parks	14,090	14,090	23,970,000	29.96	299,180	(210,861)	-	Subsidiary of the Company
											Investee measured using the equity method by CHC International Investment Corporation (Note 3)
〃	Others	Others		-	-	-	-	50,815	-	-	Note 3

Note 1 If a public company has a foreign holding company and the consolidated financial report is the main financial report according to local laws and regulations, the disclosure of information about the foreign investee may only include the relevant information of the holding company.

Note 2: In cases other than those described in Note 1, the following information shall be provided:

(1) "Name of Investee", "Location", "Principal Business", "Original Investment Cost", and "Holdings, End of Period" shall be entered in order according to the investment situation of the (public) Company and the status of investment by each investee directly or indirectly controlled, and the relationship between each investee and the (public) Company shall be indicated in the Remarks column (e.g., a subsidiary or a sub-subsidiary).

(2) In the column "Profit or Loss on Investee", the current profit and loss on each investee shall be entered.

(3) In the column "Investment Gains or Losses Recognized for Current Period", only the profit and loss on each investee directly invested by the (public) Company and each investee measured under the equity method recognized by the Company shall be entered, and the rest of the investees are exempted from disclosed in this regard. Where the "gains and losses on subsidiaries that are invested directly are recognized for the current period," it shall be confirmed that the gains and losses on the subsidiaries

have included their investment gains and losses that shall be recognized in accordance with the regulations.

Note 3: The Company did not directly recognize investment gains and losses.

Note 4: On March 4, 2020, the Company's board of directors resolved to sell the equity of the company, and the settlement was completed on March 5, 2020, and, thus lost control over the company. Therefore, it was no longer a subsidiary of the Group on December 31, 2020.

CMC Magnetics Corporation and Its Subsidiaries

Information on Investments in Mainland China - Basic Information
For the Year Ended December 31, 2020
Unit: NT$ thousands (Unless specified otherwise)

Name of Investee in China (Note 4)	Principal Business	Paid-in Capital	Investment Method (Note 1)	Accumulated Investment Remitted from Taiwan, Beginning of Period	Amount of Investment Remitted or Recovered in Current Period: Remitted to Mainland China	Amount of Investment Remitted or Recovered in Current Period: Remitted back to Taiwan	Accumulated Investment Remitted from Taiwan, End of Period	Current Profit or Loss on Investee	The Company's Direct or Indirect Ownership (%)	Investment Gains (Losses) Recognized for Current Period (Note 2)	Carrying Amount of Investment, End of Period	Accumulated Repatriation of Investment Income as of End of Period	Remarks
Fortune (Jiangsu) Multimedia Co., Ltd. Co., Ltd.	Production and sales of optical discs	$1,345,476	2	$1,345,476	$-	$-	1,345,476	($ 82,930)	97	($80,442)	$378,954	$-	Note 2(2)B
Jiangsu Yongxing Electronic Materials Co., Ltd.	Production and sales of plastic boxes, boxes, baskets, and similar products	777,852	2	777,852	-	-	777,852	(7,680)	100	(7,680)	119,023	-	Note 2(2)B
Nantong Zhongxing Multimedia Co., Ltd.	Production and sales of optical discs	35,678	2	35,678	-	-	35,678	(14)	49	(7)	7,891	-	Note 2(2)B
Sun Biotech Limited (Nantong)	R&D and wholesale of biological probiotics	14,786	2	14,786	-	-	14,786	1,686	50	843	(21,833)	-	Note 2(2)B

Company Name	Accumulated Outward Remittance for Investment in Mainland China, End of Period	Investment Amount Authorized by Investment Commission, MOEA	Limit on Investment Amount Stipulated by Investment Commission, MOEA
CMC Magnetics Corporation	$3,139,894	$3,708,536	$11,592,991

Note 1: There are three types of methods for investment in mainland China. Just enter the code:
(1). Direct investment in mainland China
(2). Indirect investment in mainland China through third-region companies: Investment in companies in mainland China through EMCH.
(3). Other methods

Note 2: Investment gains (losses) recognized for the current period:
(1) If there is no investment gains (losses) recognized due to the investment still being in the development stage, it shall be indicated.
(2) The investment gains (losses) are recognized based on the three following methods, which shall be indicated:
A. The financial statements certified by international accounting firms that has partnership with CPAs of Republic of China.
B. The financial statements that have been audited by the parent company's CPAs in Taiwan.
C. Others

Note 3: The numbers related to this table shall be presented in NTD.

Note 4: Individual companies that have been liquidated will not be disclosed.

CMC Magnetics Corporation and Its Subsidiaries

Information on major shareholders
December 31, 2020

Name of Major Shareholder	Shares	
	Number of Shares Held	Shareholding Percentage
Wong, Ming-Sen	91,978,038	7.93

Note 1: The major shareholders in this table are shareholders holding more than 5% of the ordinary and preference shares (including treasury stocks) that have completed delivery of non-physical registration on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation.
However, share capital recorded in the Company's financial statements and the number of shares actually delivered by the Company with the dematerialized registration completed may differ due to different calculation bases.

Note 2: If the information above is for the shares entrusted by shareholders to a trust, the aforesaid information shall be disclosed by the individual trust account opened by the trustees. For information on shareholders, who declare to be insiders holding more than 10% of shares in accordance with the Securities and Exchange Act, and their shareholdings include their shareholdings plus the shares entrusted to the trust and with the right to make decisions on trust property, please refer to MOPS.