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CMC

CMC Magnetics Corporation 2020 Annual Report

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Link to this annual report: <http://www.cmcnet.com.tw>

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- V. Overseas trade places for listed negotiable securities: None.
- VI. Company website: <http://www.cmcnet.com.tw>

No Excuse, Teamwork, Cost concept, Living in the moment

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Chapter 1 Letter to Shareholders

After acquisition of the Verbatim brand at the end of 2019, CMC Magnetics Corporation stepped out of the recession in the optical disc industry and transformed into a global electronic brand leader. Its product line expanded from optical disc products to storage media such as hard discs and flash memory, and also covered electronic peripherals and LED lighting equipment. It will stride into the cloud and big data fields.

The fruitful operating results in 2020 in respect of operating income, profit and finance are as follows:

- (I) Consolidated growth of operating income: the operating income in 2020 was increased by 33% as compared with 2019.
- (II) Stable profitability: The profit target was reached for three consecutive years, and the gross profit margin increased from 16% in 2019 to 21% in 2020.
- (III) Strong financial structure: With the debt ratio of 22% and the current ratio of 390% in 2020, the financial structure was far better than the industry standard. Working capital is abundant. As of 2020, the accumulated capital reserve amounted to NT\$ 7.64 billion. In order to reward shareholders, it plans to allocate NT\$ 810 million from the capital reserve in 2021 and distribute a cash dividend of NT\$0.7 per share.

The reports on the operation in 2020 and the future planning direction are made in the following:

I. Business Performance and Achievements in 2020

(I) Implementation results of the business plan:

The consolidated net operating income of the Company in 2020 was NT\$9,401,027 thousand (the same below), an increase of 33% from the same period last year, and operating margin increased by 79% from the same period last year. The net profit for the period was NT\$124,827 thousand, and the net profit attributable to the parent company was NT\$111,073 thousand.

(II) Financial income and expenditure:

The net cash inflow from operating activities of the Company's consolidated statement in 2020 was NT\$233,410 thousand, net cash inflow from investment activities was NT\$584,773 thousand, and net cash outflow from financing activities was NT\$392,588 thousand. The negative impact of exchange rate changes on cash and cash equivalents was NT\$54,908 thousand and the overall financial income and expenditure situation was a net increase of NT\$370,687 thousand in cash and cash equivalents.

(III) Profitability analysis:

Item	2020	2019
Return on Assets (ROA) (%)	0.65	0.77
Equity return ratio (%)	0.64	0.86
Ratio of Operating Income to Paid-in Capital (%)	(2.00)	(0.81)
Ratio of income before tax to paid-in capital (%)	1.98	1.84
Net Profit Margin (%)	1.33	2.38
Earnings Per Share (NT\$)	0.10	0.20

(IV) Research and Development Status

Please refer to page 61 of this annual report for the Company's technology and research status.

II. The business plan summary and development strategy for 2021 are as follows:

(I) Global brand marketing

With strong management teams in the European, American and Japanese markets, Verbatim will provide customers with reliable products by following the image of an excellent brand, through the dense network and physical sales channels.

(II) Development of product lines

The 200G archive discs have been mass-produced and shipped. The Company will continuously develop high-end and high-margin archive disc products of 300G and higher capacity. In response to network information security and trend of science and technology, the Company also actively invests in the research and development of cloud products to provide customers with more comprehensive data storage solutions.

(III) Development of the soft power of cultural, creative and leisure industries

From 2017, CMC Magnetics Corporation established the Beaumont Park in Yangmingshan, Taipei. It has opened six restaurants of different types, Com In Dim, Vino Fiore, Jin Zhi Zui, Beaumont Bakery, Tai Zhi Zui and Guo Zhi Zui, turning the formerly deserted dormitory area of the US army into the most beautiful leisure landmark in Shanzihou.

In terms of cultural and creative undertaking, the TSUTAYA BOOKSTORE was created. In addition to the Hsinyi Business Circle, Taipei, and the foothold close to Taichung National Opera, the Company will open a third operating foothold in Tainan by the end of 2021 to complete the layout in the north, middle and south.

(IV) Optimize business management and activate assets

To concentrate business resources and save business management costs, the Company continues to adjust its production plans to optimize the operation efficiency. Regarding the lands and factories with lower application efficiency, the Company conducts activation or disposal plans to enhance asset benefits.

The Company's management team will be committed to enhancing the Company's long-term value and sustainable operation. At the end, we hope that all shareholders will continue to give encouragement and advice, and to support and care for the Company.

Best Regards,

We wish you all good fortune and health.

Chairman: Wong Ming-Sen



Chapter 2 Company Profile

I. Establishment Date

December 2, 1978

II. Company History

- 1978
 - . CMC Magnetism Corporation was founded
 - . Company registered at 6F, No.63-1, Sec. 1 ChangAn E. Rd., Taipei City
 - . First factory established at No. 433, MingAn Rd., Xinzhuang City, New Taipei City
 - . Registered Capital: NT\$10,000,000
 - . Production items: Audio cassette, video tapes, etc.
- 1991
 - . The capital increase of the Company was NT\$430,773,940.
 - . Leased Taoyuan factory and added new video assembly line
 - . Researched and developed videotape, 3D surround sound, wireless headsets, compact discs, and other products to initiate diversification business8mm
 - . Approved by the Securities and Exchange Commission for stock listing
- 1992
 - . Leased Xindian factory and added automatic disk assembly line
 - . Stock officially listed2 月 17 日
 - . Company capital increased to NT\$930,000,000
 - . Approved by the Securities and Exchange Commission for preferred share listing
 - . Leased Jingling factory and added disk assembly line
- 1993
 - . Company capital increased to NT\$1,182,000,000
- 1994
 - . Company capital increased to NT\$2,040,000,000
 - . Awarded with ISO 9002 international certification
- 1995
 - . Company capital increased to NT\$2,331,000,000
 - . Zhongli new factory completed and began mass production
- 1996
 - . Company capital increased to NT\$2,665,650,000
 - . Successfully developed CD-Recordable disc (CD-R) and proceeded with mass production in December.
- 1997
 - . Company capital increased to NT\$4,372,062,500
 - . Purchased a land at LinKou for plant construction to expand the CD-R and non-analog optical disc product facilities2,407 坪
 - . Leased Jinling factory II for an additional disc box and magnetic disc lining cloth production line
 - . Successfully launched DVD recordable production line
 - . Honorably ranked by Forbes Magazine as No.21 of the Global Top 100 SMB Enterprise in 1997

- 1998
 - . Company capital increased to NT\$6,252,049,370
 - . Obtained the film distribution agency of NEW LINE Cinema and began business in the film and media industry
 - . Formed strategic alignment with Japan Mitsubishi company and Verbatim, a subsidiary of Mitsubishi in the United States
 - . Obtained ISO 9002 certification on CD-R as the first ever manufacturing factory in Taiwan

- 1999
 - . Company capital increased to NT\$9,750,786,760
 - . 8X CD-R proceeded mass production, and the quality was certified by Japanese vendor partners
 - . Signed alliance contract with Pioneer Japan, for an exclusive partnership of DVD recordable products with CMC
 - . CMC independently and successfully developed 3.95GB DVD recordable product
 - . Officially launched New MP3 player product launched in November

- 2000
 - . Company capital increased to NT\$17,323,482,540
 - . Obtained ISO 9002 certification on CD-R
 - . CMC received the 9th place of “Taiwan’s Top 50 Golden Tech Jobs” by International Institute for Management Development (IMD)
 - . CMC was awarded by Common Wealth Magazine as “#1 of Taiwan’s Top 100 Best Technology Company”
 - . Received “High-speed CD-RW and DVD-R” Industry Contribution Award from the Taiwan Association for Magnetic Technology (R.O.C)
 - . Launched CyberBoy, the world's first single-chip multimedia PDA device, and officially entered IA IT appliances industry
 - . Established a joint venture Transtouch Technology Inc. with Fujitsu (Japan) to manufacture LCD Touch Panel in Taiwan and officially enter the photoelectric communication industry

- 2001
 - . Successfully launched DVD-RAM 4.7GB/9.4GB CD-RW
 - . Successfully launched 4.7GB DVD-R
 - . Launched and showcased the first “Simple PDA” with a full Chinese operating system
 - . Launched #1 export brand “Mr. Data” in Taiwan market
 - . Dazhu factory received CD-P (CD Jewel case) ISO 9002 certification
 - . Obtained Patent on Low-Profile Compact Disk Case
 - . Obtained Patent on Compact Disc Container with Locking Tube
 - . LinKou Industrial Zone obtained ISO 9002 certification on stampers for CD-R/RW, CD-ROM, and DVD-ROM manufacturing
 - . 16X, 20X and 24X CD-R passed the industry-leading compatibility with global popular recorders/players, and are recommended by recorder makers

- 2002
 - . DVD-RAM 4.7GB version 2.1 obtained compatibility test certification from DVD Forum Class A Verification Laboratory.

- . DVD-R 4.7GB 1X recording obtained product verification from DVD Forum Class A Verification Laboratory.
 - . DVD-R 4.7GB 2X recording obtained product verification from Pioneer, taking leadership position among Taiwanese manufacturers
 - . DVD+RW 4.7GB 1-2.4X recording obtained product verification from Philips, taking leadership position among Taiwanese manufacturers
 - . DVD-RW 4.7GB version 1.1 obtained product verification from worldwide well-known recorder makers
 - . Deltamac (Taiwan) Co., Ltd. was listed in the OTC of Taiwan1 月 23 日
 - . LinKou factory obtained ISO 9001:2000 certification
 - . Certified as the “Top 500 Excellent Import & Export Vendor of 2001” by the Ministry of Economic Affairs, R.O.C
 - . Ranked as No.30 of the Best Import & Export Performance Vendor of 2001 by the Ministry of Economic Affairs, R.O.C
 - . Honorably listed as Taiwan 50 Index in TSEC
 - . Obtained the 10th award for industrial technology advancement granted by the Ministry of Economic Affairs, R.O.C
 - . 32X, 40X, 48X and 52X CD-R were well compatible with global famous recorders/players and recommended by popular recorder makers
- 2003
- . Established CMC Nano-Technology R&D Department
 - . DVD+R 4.7GB 2.4X and 4X obtained product verification from Philips, taking leadership position among Taiwanese manufacturers
 - . DVD-R 4.7GB 4X recording obtained product verification from global popular recorder makers
 - . CD-RW Ultra Speed 24X obtained Product Verification from Philips, taking leadership position among Taiwanese manufacturers
 - . CMC received IRMA (International Recording Media Association) certified plant on pre-recorded media
 - . CMC Culture Foundation was awarded with the 6th Arts & Business Awards by Taiwan Council for Cultural Affairs
 - . Fortune (Jiangsu) Multimedia (Nantong Factory) obtained the Award from Nantong City for the city’s “Top 10 Export Enterprise from Foreign Investment,” “Top 10 Foreign Investment Enterprises,” and the 1st place for both “Double Excellence” Single Award (2nd industry), and the “Forward Cup” by the Nantong Gangzha Economic Development Zone Administration Committee
- 2004
- . Received the 2nd Golden Root Award by the Taiwan Industrial Technology Association
 - . DVD+R 4.7GB 8X obtained product verification from Philips, taking leadership position among Taiwanese manufacturers
 - . Received Vendor Excellence Award from Taiwan Photonics Society
 - . DVD+R Part 1, Single Layer, 4.7GB 16X obtained product verification from Philips, taking leadership position among Taiwanese manufacturers
 - . DVD+R Part 2, Dual Layer, 8.5GB 2.4X obtained product verification from Philips, taking leadership position among Taiwanese manufacturers

- 2005 . Formed “Mobile TV Strategic Alliance” with Nokia, local Taiwanese broadcasters, radio stations, and telecommunicators, to develop DVB-Handheld cable TV platform.
- . Received the 2nd Information Storage Industry Contribution Award from TISA
- . Received 2005 Vendor Excellence Award from Taiwan Photonics Society

- 2006 . CMC 's IA products – Portable Karaoke Station, MP3 Player, and PAV portable audio & video player–were awarded with the Best Golden Diamond Product Award from the Republic of China Consumers Association
- . DVD+R Part 2, Dual Layer, and 8.5GB 8X media obtained product verification and full certification from Philips Format Verification Laboratory
- . DVD-R Dual Layer, 8.5GB 4X media obtained product verification and full certification from Class-A Verification Laboratory
- . HD DVD-R 15GB 1X SL Blu-ray media obtained the world’s only product verification from Class-A Verification Laboratory
- . CMC Culture Foundation Received the 8th Arts & Business Award from the Council for Cultural Affairs, Executive Yuan (Taiwan, R.O.C)

- 2007 . BD-R SL 1-2X obtained Product Verification from Class-A Verification Laboratory, taking leadership position among Taiwanese manufacturers
- . LinKou factory obtained OHSAS 18001:1999 certification
- . ZhongLi Plant Obtained certification of OHSAS 18001:1999
- . 8cmDVD+R Dual Layer 2.6GB 2.4X media obtained product verification and full certification from Philips Standards & Format Verification Laboratory
- . DVD-R Dual Layer 8.5GB 8X media obtained product verification and full certification from Class-A Verification Laboratory
- . BD-RE SL 1-2X obtained product verification from Class-A Verification Laboratory, taking leadership position among Taiwanese manufacturers
- . HD DVD-R Single Layer 15GB 2X Blu-ray obtained product verification from Class-A Verification Laboratory
- . BD-R SL 4X obtained product verification from Class-A Verification Laboratory, taking leadership position among Taiwanese manufacturers
- . Received 2006 Golden Trade Award and ranked as No. 52 of the “Best Import & Export Performance Vendor” as well as “Top 500 Excellent Import & Export Vendor of 2006” by the Ministry of Economic Affairs, R.O.C
- . HD DVD-RW 2X obtained product verification from Class-A Verification Laboratory15G

- 2008 . BD-R 25GB 6X media obtained product verification from Philips Standards & Format Verification Laboratory.
- . BD-ROM SL media obtained product verification from Philips Standards & Format Verification Laboratory.
- . Taiwan Chi Yuan Culture Foundation was awarded with the 9th Arts & Business Awards by the Taiwan Council for Cultural Affairs

- 2009 . CMC was awarded the 7th Annual Taiwan Golden Root Award by TITA
- . DVD-R CSS download EST type obtained Product Verification from Class-A Verification Laboratory and Certification for Compatibility from Drive

Manufacturers

- . Awarded with “Best Employer of 2009” by Taoyuan, Hsinchu and Miaoli Employment Services Center, Vocational Training Bureau, Council of Labor Affairs, Executive Yuan
- . Awarded with the 3rd Magistrate Evergreen Business Excellent Awards
- . Received 2008 Golden Trade Award and ranked as No. 79 of the “Best Import & Export Performance Vendor” as well as “Top 500 Excellent Import & Export Vendor of 2008” by the Ministry of Economic Affairs, R.O.C.
- 2010 . Fortune (Jiangsu) Multimedia Co., Ltd. was awarded with "2009-2010 Annual Cultural Export Enterprise Prize" by the Ministry of Commerce, the Ministry of Culture, the National Radio and Television Administration, and the State Administration of Press, Publication, Radio, Film and Television of the People's Republic of China
- . The shares of Transtouch Technology Inc. were officially listed on April 28
- . BD-R 6X DL received the disc factory product compatibility certification
- . BD-R DL 6x-speed 50GB media received product verification from Blu-ray Disc Association
- . Received 2009 Golden Trade Award and ranked as No. 66 of the “2009 Best Import & Export Performance Vendor” as well as “Top 500 Excellent Import & Export Vendor of 2009” by the Ministry of Economic Affairs, R.O.C.
- 2011 . BD-R from LinKou 3rd Plant received PAS 2050:2008 product carbon footprint verification certificate
- . CMC Blu-ray discs (BD-R 6X SL) passed the ambient temperature/80°C/80RH% humidity/750hr durability test from TÜV Rheinland Group. Test result shows that CMC Blu-ray disc data storage is valid at room temperature (25°C) for 50 years
- . BD-R DISC received Carbon Footprint label certifications from Taiwan Electrical and Electronic Manufacturers’ Association’s (TEEMA)
- . Obtained ISO 14064-1 greenhouse gas certification in Linkou 3rd Plant
- 2012 . CMC Blu-ray discs (BD-R 6X SL) passed the ambient temperature/80°C/80RH% humidity/900hr durability test from TÜV Rheinland Group. Test result shows that CMC Blu-ray disc data storage is valid at room temperature (25°C) for 70 years
- . CMC Blu-ray discs (BD-RE 2X SL) passed the ambient temperature/80RH% humidity/600hr durability test from TÜV Rheinland Group. Test result shows that CMC Blu-ray disc data storage is valid at room temperature (25°C) for 30 years
- . DVDR from LinKou 3rd Plant, LinKou 2nd plant, ZhongLi 1st plant, and YangMei 2nd plant received PAS 2050:2011 product carbon footprint verification certificate
- . CMC Blu-ray discs (BD-R 6X DL) passed the ambient temperature/80°C/80RH% humidity/600hr durability test from TÜV Rheinland Group. Test result shows that CMC Blu-ray disc data storage is valid at room temperature (25°C) for 30 years
- . Fortune (Jiangsu) Multimedia Co., Ltd. was awarded "2011-2012 Annual Cultural Export Enterprise Prize" by the Ministry of Commerce, the Department of Publicity, the Ministry of Culture, the National Radio and Television Administration, and the State Administration of Press, Publication, Radio, Film,

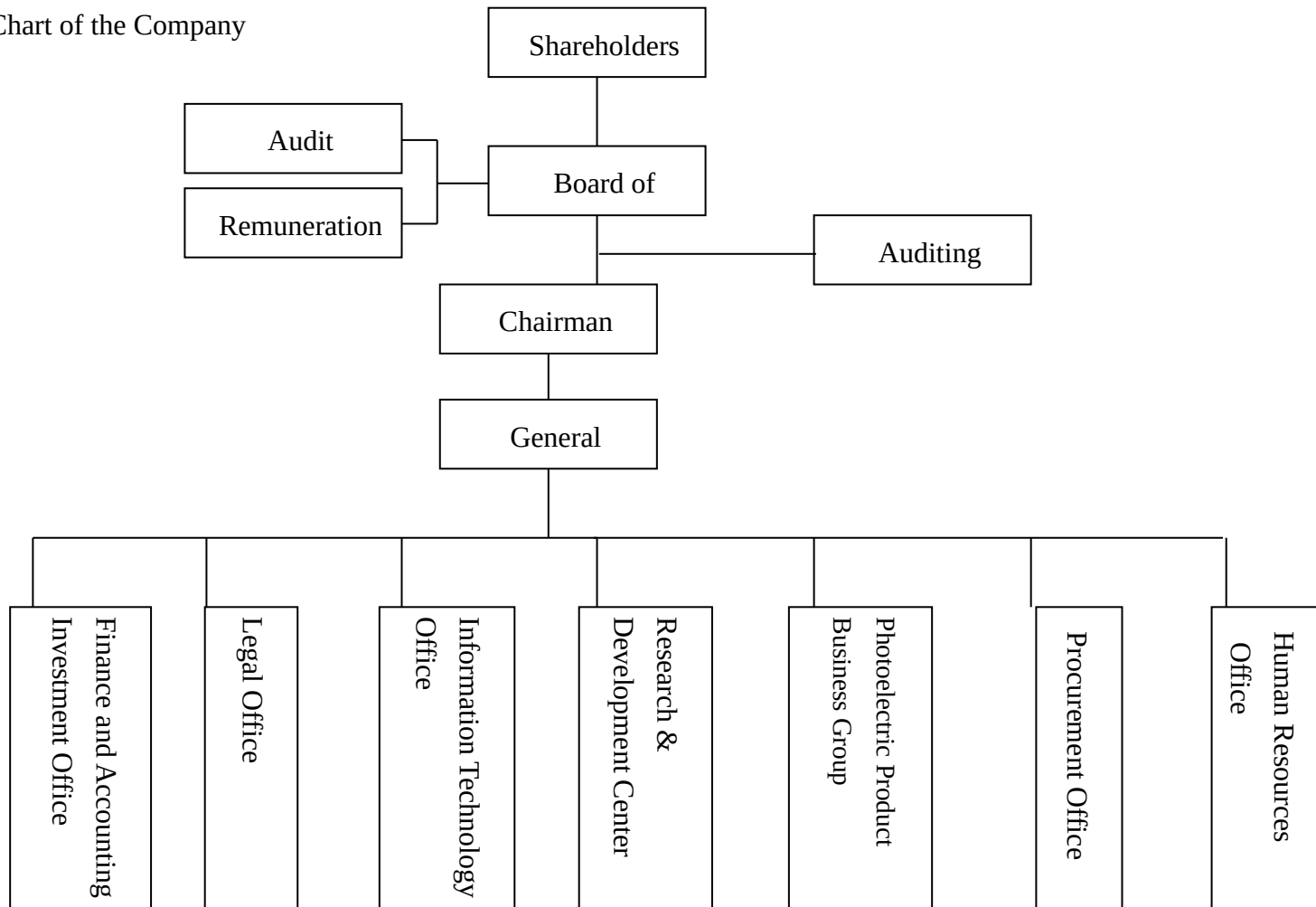
and Television of the People's Republic of China. The Company also received 2011-2012 Central Cultural Industry Project Funding from the Ministry of Commerce, the Ministry of Culture, and the Ministry of Finance of the People's Republic of China

- 2013 . CMC DVDR received Carbon Footprint label certifications from Taiwan Electrical and Electronic Manufacturers' Association's (TEEMA)
- . CMC Culture Foundation was awarded the certificate of appreciation from Eden Social Welfare Foundation
- 2014 . CMC Magnetics Corp. acquired the occupational safety certificate of merit award of the North District Association of the Occupational Safety and Health Administration, Ministry of Labor.
- 2015 . 5 factories under CMC Magnetics Corp. passed the healthy workplace authentication by the Health Promotion Administration, Ministry of Health and Welfare
- 2016 . Received the 1st Safety and Health Award in 2016 by the Department of Labor,
- 2017 Taoyuan City Government
- . CMC Magnetics Provided long-term sponsorship to the cultural industry (including chess institutes and art and culture organizations), and was awarded the 13th Arts & Business Awards by the Taiwan Council for Cultural Affairs
- 2018 . Archival Disc passed ISO16963 international certification
- 2019 . BD-R XL 4x-speed 100GB media profile received verification from Blu-ray Disc Association
- . Acquired the business of the world renowned storage media brand Verbatim subsidiaries in America, Europe, Australia, and Hong Kong for 100% shareholding, patent, trademarks, technology, and channels, etc.
- 2020 . Verbatim GmbH officially launched the E-sports brand "SUREFIRE" in Europe, providing storage and accessories products for electronic sports games

Chapter 3 Corporate Governance Report

I. Organization

(I) Organization Chart of the Company



(II) Department Functions

1. Audit Office: In charge of auditing Company's operational status, analysis of anomaly, and suggestions for improvements
2. Human Resource Office: In charge of
 - (1) Employee recruitment, hiring, payroll management, training, consulting, and employee service
 - (2) Sanitation of the plant, and the management of staff meal, shuttle buses, and dormitory
 - (3) Plant security protection, access control, water and electrical maintenance, plant maintenance, and hardware maintenance
 - (4) Enforcement and management of labor safety, security, and environmental related matters
3. Procurement Office: In charge of all procurement matters of the production business units
4. Photoelectric Product Business Group: In charge of production, marketing and sales of optical disc and photoelectric products.
5. Research & Development Center: In charge of the new product R&D, improvement of manufacturing process and equipment, product specifications, and more.
6. Information Technology Office: System maintenance, management, and the design, planning, and deployment of both hardware and software.
7. Legal Office: In charge of the contract review and draft; trademark and patent application, and legal disputes as well as advice provisions.
8. Finance and Accounting Investment Office: Each department is responsible for the following:
 - (1) Accounting Department: Responsible for accounting system establishment, accounting and tax treatment, costing, operational cost analysis, and more.
 - (2) Finance Department: Responsible for capital scheduling, transactions with financial institutions, cashier, stock affairs, and other related businesses.
 - (3) Investment Department: Responsible for the Company's domestic and foreign investment evaluation, follow-up tracking and audit businesses.

(III) Functional Committees

1. Audit Committee: To oversight the responsibilities listed as per below:
 - (1) The fair presentation of the Company's financial reports.
 - (2) Appointment or dismissal of the certifying CPAs and evaluation of their independence and performance.
 - (3) The effective implementation of the Company's internal control system.
 - (4) The compliance to relevant regulations and rules.
 - (5) Management of existing or potential risks.
2. Remuneration Committee: Improving the compensation system for Directors and managerial officers of the Company

II. Information of the Directors, Supervisors, General Managers, Deputy General Managers, Assistant Managers and the Heads of Each Department and Branch

(I) Directors and Supervisors

1. Directors and Supervisors' names, genders, nationalities or residence, professional and academic experiences, current positions of the Company and other companies, commencement date, term of office, date of initial appointment, shares held by oneself, spouse, minor children, and others in the name of others, professional knowledge, and independence:

April 20, 2021

Position	Nationality/ Place of Registration	Name	Gender	Date First Elected	Term	Shareholding When Elected		Current Shareholding		Spouse and Minor's Current Shareholding		Shareholding by Nominees		Major Experience (Education)	Other Position Concurrently Held at the Company and Other Companies (Note 1)	Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship			Note
				Date Elected (R.O.C.)		Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership			Position	Name	Relationship	
Chairman	R.O.C.	Wong, Ming-Sen	Male	671202	3	133,697,296	7.30%	91,978,038	7.94%	Spouse 29,566,296	2.55%	0	0%	Agricultural Engineering Department of National Taiwan University	Chairman and Director of the partial subsidiaries of CMC Group, Legal Representative of Chung-Hsin Electric & Machinery Manufacturing Corp and Château Capital Group	Senior Deputy General Manager Director	Yang, Li-Jung Tsai Wong, Ya-Li	Spouse Second-degree relative	Note 2
				20180612															
Director	R.O.C.	Yang, Ya-Hsiu	Female	20000614	3	13,372,373	0.73%	9,612,762	0.83%	0	0%	0	0%	Commercial Department of National Taiwan University	Director of the partial subsidiaries of CMC Group	None	None	None	None
				20180612															
Director	R.O.C.	Kuo, Junne-Huey	Male	20060615	3	82,618	0.00%	55,471	0.00%	0	0%	0	0%	Department of Accounting, Soochow University General Manager of Taiwan Power Company	Director of Legal Representative of China Petrochemical Development Corporation	None	None	None	None
				20180612															
Director	R.O.C.	Tseng, Yi-An	Male	20030513	3	1,686,286	0.09%	1,132,206	0.10%	0	0%	0	0%	Department of Information Engineering, Chun Yuan Christian University	None	None	None	None	None
				20180612															
Director	R.O.C.	Tsai, Tsung-Han	Male	20030513	3	2,280,542	0.12%	1,531,201	0.13%	0	0%	0	0%	Department of Chemistry, University of California, Berkeley School of Dental Medicine, TUFTS University	None	None	None	None	None
				20180612															
Director	R.O.C.	Tsai Wong, Ya-Li	Female	20090616	3	2,077,648	0.11%	1,394,974	0.12%	0	0%	0	0%	National Tainan Girls' Senior High School	None	Chairman	Wong, Ming-Sen	Second-degree relative	None
				20180612															

Position	Nationality/ Place of Registration	Name	Gender	Date First Elected	Term	Shareholding When Elected		Current Shareholding		Spouse and Minor's Current Shareholding		Shareholding by Nominees		Major Experience (Education)	Other Position Concurrently Held at the Company and Other Companies (Note 1)	Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship			Note
				Date Elected (R.O.C.)		Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership			Position	Name	Relationship	
Director	R.O.C.	Yeh, Min-Cheng	Male	19970614	3	2,660,777	0.15%	1,786,498	0.15%	Spouse 117,719	0.01%	0	0%	Department of Industrial Engineering, Chun Yuan Christian University	None	None	None	None	None
				20180612															
Director	R.O.C.	Chen, Hsien-Tai	Male	19940614	3	5,895,282	0.32%	3,710,497	0.32%	Spouse 2,273,873	0.20%	0	0%	Chemical Engineering Department of Taiwan Provincial Tainan Industrial High School	None	None	None	None	None
				20180612															
Independent Director	R.O.C.	Shiau, Fung-Shyung	Male	20120615	3	0	0%	0	0%	0	0%	0	0%	Ph.D. in economics conferred by Chinese Culture University	Independent Director of EASTECH Co., Ltd., Independent Director of Wayi International Digital Entertainment Co., Ltd., Supervisor of China City, Independent Director of Transtouch Technology inc.	None	None	None	None
				20180612															
Independent Director	R.O.C.	Wu, Cheng-Hsiu	Male	20120615	3	1,680,000	0.09%	0	0%	0	0%	0	0%	Passed Higher Examination for Lawyers	Independent Director of DELTAMAC (TAIWAN) Co., Ltd., Independent Director of Transtouch Technology Inc., Legal Advisor of Lih Pao Construction Co., Ltd.	None	None	None	None
				20180612															
Independent Director	R.O.C.	Lee, Ming-Yen	Female	20150602	3	0	0%	0	0%	0	0%	0	0%	Finance & Legal Science Major at Department of Law in Fu Jen Catholic University	Special Assistant to Chairman of Premier Capital Management Corp., Director of Sunrise Medical Co., Ltd., Supervisor of Premier Assets Management Corporation	None	None	None	None
				20180612															

Note 1: Please refer to page 320 for the concurrent positions in the related enterprises.

Note 2: Where the Chairman of the Board of Directors and the General Manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given the related information of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (ways such as appointing Independent Directors, and a majority of the Directors may not serve concurrently as an employee or managerial officer).

2. Professional Qualifications and Independence Analysis of the Directors and Supervisors

April 20, 2021

Qualifications Name	Meeting One of the Following Professional Qualification Requirements, Together with At Least Five Years of Work Experience			Status of independence (Note 1)												Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist who Has Passed a National Examination and Has Been Awarded a Certificate in a Profession Necessary for the Business	Having Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business	1	2	3	4	5	6	7	8	9	10	11	12	
Wong, Ming-Sen			✓					✓	✓			✓		✓	✓	None
Yang, Ya-Hsiu			✓					✓	✓	✓	✓	✓	✓	✓	✓	None
Kuo, Junne-Huey			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Tseng, Yi-An			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Tsai, Tsung-Han				✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Tsai Wong, Ya-Li				✓		✓		✓	✓	✓		✓		✓	✓	None
Yeh, Min-Cheng			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Chen, Hsien-Tai				✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Shiau, Fung-Shyung	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Wu, Cheng-Hsiu		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Lee, Ming-Yen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None

Note 1: Please check “✓” the corresponding boxes if the Directors and Supervisors meet the following conditions during the two years prior to the nomination and during the term of office.

- (1) Not an employee of this Company or its affiliates.
- (2) Not a Director or Supervisor of the Company's affiliates. Not applicable in cases where the person is an Independent Director of the Company's parent company or any subsidiary appointed in accordance with the Regulations Governing the Appointment of Independent Directors and Compliance Matters for Public Companies or other local laws and regulations.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or is ranked in the top 10 in shareholdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the above persons in the preceding three subparagraphs.
- (5) Not a Director, Supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among the top 5 in shareholdings, or that designates its representative to serve as a Director or Supervisor of the Company under Paragraph 1 or 2, Article 27 of the Company Act (except for an Independent Director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (6) Not a Director, Supervisor or employee of a company controlled by the same person who has shares over half of the Company's Director seats or voting rights (except for an Independent Director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (7) Not a Chairman, General Manager, or employee of another company or institution who, or whose spouse, is a Director, Supervisor, or an employee holding an equivalent position of the Company (except for an Independent Director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (8) Not a Director, Supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company (except for a specific company or institution holding more than 20% but less than 50% of the total issued shares of the Company and concurrently serving as an Independent Director, as appointed in accordance with the Act or the laws and regulations of the local country, at the Company and its parent or subsidiary or a subsidiary of the same parent).
- (9) Not a professional individual, sole proprietorship, partnership, owner of a company or institution, partner, Director, Supervisor, managerial officer or spouse thereof that provides auditing service for the Company or any of its affiliates, or provides commercial, legal, financial, or accounting service with cumulative remuneration less than NT\$500,000 in the past two years. However, this does not apply in cases where members of the Remuneration Committee, the Review Committee for Public Tender Offer or the Special Committee for Mergers and Acquisitions perform their functions in accordance with the Securities and Exchange Act or the Business Mergers and Acquisitions Act.
- (10) Not having a marital relationship, or a relative within the second degree of kinship to any other Director of the Company.
- (11) Not a condition defined in Article 30 of the Company Law.
- (12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

(II) Information of the General Manager, Deputy General Managers, Assistant Managers, and the Heads of Each Department and Branch
April 20, 2021

Position	Nationality	Name	Gender	Date Elected (R.O.C.)	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Major Experience (Education)	Other Position Concurrently Held at Other Companies (Note 1)	Managerial Officer who Are Spouses or within the Second Degree of Kinship			Note
					Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership			Position	Name	Relationship	
General Manager	R.O.C.	Wong, Ming-Sen	Male	19781202	91,978,038	7.94%	Spouse 29,566,296	2.55%	0	0%	Agricultural Engineering Department of National Taiwan University	Chairman and Director of the partial subsidiaries of CMC Group Director; Representative of Chung-Hsin Electric & Machinery Manufacturing Corp and Château Capital Group	Senior Deputy General Manager	Yang, Li-Jung	Spouse	Note 2
Executive Deputy General Manager	R.O.C.	Yang, Ya-Hsiu	Female	19850502	9,612,762	0.83%	0	0%	0	0%	Commercial Department of National Taiwan University	Director of the partial subsidiaries of CMC Group	None	None	None	None
Senior Deputy General Manager	R.O.C.	Yang, Li-Jung	Female	19781202	29,566,296	2.55%	Spouse 91,978,038	7.94%	0	0%	Department of Chinese Language and Literature, National Chung Hsing University	Director of the partial subsidiaries of CMC Group	General Manager	Wong, Ming-Sen	Spouse	None
Deputy General Manager	R.O.C.	Huang, Ying-Yen	Male	20080901	0	0.00%	0	0%	0	0%	Administration Institute of Fu Jen Catholic University	Director of the partial subsidiaries of CMC Group	None	None	None	None
Deputy General Manager	Japan	Sekiyama Takayuki	Male	20171001	0	0.00%	0	0%	0	0%	OSAKA SANGYO UNIVERSITY	None	None	None	None	None
Accounting Controller	R.O.C.	Yang, Pi-Yin	Female	20180612	0	0.00%	0	0%	0	0%	Research Institute of National Taipei University	Director of the partial subsidiaries of CMC Group	None	None	None	None
Chief Financial Officer	R.O.C.	Chen, Chun-Wei	Male	20160915	0	0.00%	0	0%	0	0%	Corporate Research Institute of Pace University	Director of the partial subsidiaries of CMC Group	None	None	None	None

Note 1: Please refer to page 320 for the concurrent positions in the related enterprises.

Note 2: Where the Chairman of the Board of Directors and the General Manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given the related information of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (ways such as appointing Independent Directors, and a majority of the Directors may not serve concurrently as an employee or managerial officer).

III. Remuneration Paid to the Directors, Supervisors, General Manager, and Deputy General Managers in the Most Recent Fiscal Year

(I) Compensation of Directors (including Independent Directors)

Unit: NT\$1,000

Title	Name	Remuneration Paid to Directors								The sum of A, B, C and D in proportion to Earnings After Tax (%) (Note 10)		Relevant Remuneration Received by Directors who Are Also Employees								Ratio of Total Remuneration (A+B+C+D+E+F+G) to Net Income (Note 10)		Remuneration from Invested Business or Companies Other than Subsidiaries (Note 11)
		Remuneration (A) (Note 2)		Severance Pay and Pension (B)		Remuneration of Directors (C) Note 3)		Business execution expenses (D) (Note 4)				Salaries, bonus and special subsidies (E) (Note 5)		Severance Pay and Pension (F)		Remuneration of Employee (G) (Note 6)						
		The Company	All Companies included into the financial statement (Note 7)	The Company	All Companies in Consolidated Financial Statements (Note 7)	The Company	All Companies in Consolidated Financial Statements (Note 7)	The Company	All Companies in Consolidated Financial Statements (Note 7)	The Company	All Companies in Consolidated Financial Statements (Note 7)	The Company	All Companies in Consolidate d Financial Statements (Note 7)	The Company	All companies included into the financial statement (Note 7)	The Company		All companies included into the financial statement (Note 7)		The Company	All Companies in Consolidated Financial Statements (Note 7)	
																Cash amount	Stock amount	Cash amount	Stock amount			
Director	Wong, Ming-Sen	0	0	0	0	200	200	120	120	0.29%	0.29%	4,315	4,315	0	0	0	0	0	0	4.17%	4.17%	None
Director	Yang, Ya-Hsiu	0	0	0	0	200	200	120	120	0.29%	0.29%	5,194	5,194	0	0	0	0	0	0	4.96%	4.96%	None
Director	Kuo, Junne-Huey	0	0	0	0	200	200	120	120	0.29%	0.29%	0	0	0	0	0	0	0	0	0.29%	0.29%	None
Director	Tseng, Yi-An	0	0	0	0	200	200	120	120	0.29%	0.29%	0	0	0	0	0	0	0	0	0.29%	0.29%	None
Director	Tsai, Tsung-Han	0	0	0	0	200	200	120	120	0.29%	0.29%	0	0	0	0	0	0	0	0	0.29%	0.29%	None
Director	Tsai Wong, Ya-Li	0	0	0	0	200	200	120	120	0.29%	0.29%	0	0	0	0	0	0	0	0	0.29%	0.29%	None
Director	Yeh, Min-Cheng	0	0	0	0	200	200	120	120	0.29%	0.29%	0	0	0	0	0	0	0	0	0.29%	0.29%	None
Director	Chen, Hsien-Tai	0	0	0	0	200	200	120	120	0.29%	0.29%	0	0	0	0	0	0	0	0	0.29%	0.29%	None
Independent Director	Shiau, Fung-Shyung	0	110	0	0	200	200	240	252	0.40%	0.51%	0	0	0	0	0	0	0	0	0.40%	0.51%	None
Independent Director	Wu, Cheng-Hsiu	0	290	0	0	200	200	240	273	0.40%	0.69%	0	0	0	0	0	0	0	0	0.40%	0.69%	None
Independent Director	Lee, Ming-Yen	0	0	0	0	200	200	240	240	0.40%	0.40%	0	0	0	0	0	0	0	0	0.40%	0.40%	None

1. Please explain the Independent Director remuneration policy, system, standard, and structure, and the connection between the amount of remuneration and the considered factors such as their job responsibilities, risks, and working time.

According to Article 20 of the Articles of Association of the Company, the remuneration paid to the Directors shall be determined by the Board of Directors based on the degree of their participation in and contributions to the business operations of the Company, as well as industry standards at home and abroad.

2. Other than disclosures in the above table, remuneration paid to Directors for providing services (e.g., providing consulting services as a non-employee) for all companies in consolidated financial statements in the most recent year: None.

Note1: The Company shall disclose the names and remuneration of its Directors or Supervisors individually if any of the following applies. Otherwise, the Company may choose between consolidating the disclosure according to the scale of remuneration, or disclose individually by names and ways of remuneration being paid (For individual disclosures, please fill in the title, names, and amount separately. It is not necessary to fill in the scale of remuneration chart)

- (1) The names and remunerations of the “Directors and Supervisors” shall be disclosed separately if there are losses after tax in the three most recent financial statements of the financial year, however, shall not apply if the Company has posted net income after tax in the parent company only financial reports or individual financial report for the most recent fiscal year and such net income after tax is sufficient to offset the accumulated deficits.
- (2) A company with Directors whose shareholding percentages have been insufficient for three (3) or more consecutive months during the most recent fiscal year shall disclose the remuneration of Individual Directors. A company with Supervisors whose shareholding percentages have been insufficient for three (3) or more consecutive months during the most recent fiscal year shall disclose the remuneration of individual Supervisors.
- (3) A company with an average ratio of shares pledged by Directors or Supervisors that exceeds 50 percent in any three (3) months during the most recent fiscal year shall disclose the remuneration paid to each Individual Director or Supervisor who owns a ratio of shares pledged that exceeds 50 percent for each of these three months.
- (4) If the total amount of remuneration received by all the Directors and Supervisors of a company from all the companies listed in its financial statements exceeds two (2) percent of its net income after tax, and the amount of remuneration received by any individual Director or Supervisor exceeds NT\$15 million, the Company shall disclose the amount of remuneration paid to Individual Directors or Supervisors.
- (5) Any result of evaluation made on corporate governance in the most recent year is in the last level, or any trading method changes, any trading or marketing stops, or any evaluation is rejected by the Corporate Governance Evaluation Committee in the most recent year as of the publication date of this Annual Report as a listed company.
- (6) The average annual salary of a full-time employee of a listed company who does not hold a managerial position in the most recent year has not reached NT\$500,000.

Note 2: Refer to the remuneration of the Directors for the most recent year (including Director's salary, position bonus, severance pay, various bonuses, incentive bonus, etc.).

Note 3: Refer to the amount of the remuneration for Directors approved by the Board of Directors in the most recent year.

Note 4: Refers to the relevant business execution expenses of the Directors in the most recent year (including transportation expenses, special allowance, various allowances, housing, cars, supply offerings, etc.). If housing, vehicle or other means of transportation, or personal expenses are provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, disclose compensation paid to the driver in a note; however, do not calculate such as part of executive compensation.

Note 5: Refers to the salary, position bonus, severance, various bonuses, incentives, transportation fees, special allowance, various allowances, dormitory, cars, and other supply offerings for the Directors and concurrent employees of the most recent year (including concurrent General Manager, Deputy General Manager, other management personnel, and employees). If housing, vehicle or other means of transportation, or personal expenses are provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, disclose compensation paid to the driver in a note; however, do not calculate such as part of executive compensation. The salary recognized in accordance with the IFRS 2 “Share-based payment,” including obtaining employee stock option certificates, restricting employee rights to new shares, and participating in cash incremental subscription shares shall also be included in the remuneration.

Note 6: The Directors and concurrent employees of the most recent year (including concurrent General Manager, Deputy General Manager, other management personnel, and employees) shall disclose the amount of the compensation (including stock and cash) paid by the Board of Directors in the most recent year. Those who cannot estimate the amount shall calculate based on the proportion of the actual distribution amount from last year, and complete the chart in Appendix 1.3.

Note 7: The total amount of remuneration paid to the Directors of the Company by all companies (including the Company) in the consolidated report shall be disclosed.

Note 8: The Company shall compensate each Director the total amount of remuneration and disclose the name of the Director in the associated tier interval.

Note 9: The total amount of remuneration paid to each Director of all companies (including the Company) in the consolidated report shall be disclosed, as well as the name of the Directors in the accordance of the associated tier interval.

Note 10: Net profit after-tax refers to the net income stated in the parent company only financial reports or individual financial reports

Note 11: a. This column should specify the amount of remuneration received by the Directors of the Company from the reinvested business outside the subsidiary.

b. If any Director of the Company receives remuneration related to a reinvestment business outside of a subsidiary, then the remuneration received by the Director of the Company from the subsidiary to the investment enterprise shall be included in Column I of the remuneration scale and rename the column to “All reinvestment businesses.”

c. Remuneration refers to the remuneration, compensation (including remuneration for employees, Directors, and Supervisors), and business execution fees etc. received by the Directors of the Company as a Director, Supervisor, or management personnel of a reinvested enterprise outside of a subsidiary.

* The remuneration contents disclosed in this table are different from the concept of income specified in the Income Tax Act, thus the purpose of this table is for information disclosure only, rather than taxation purpose.

(II) Remunerations of Supervisors: Not Applicable. The Company has established an Audi Committee to replace the authority of the Supervisors.

(III) Remunerations of the General Manager and Deputy General Manager

Position	Name	Salary (A) (Note 2)		Severance Pay and Pension (B)		Bonus and Allowance (C) (Note 3)		Employee's Compensation (D) (Note 4)				Subtotal of (A+B+C+D) as a % of net profit after tax (Note 8)		Remuneration from Invested Business or Parent Company Other than Subsidiaries (Note 9)
		The Company	All companies in the financial statement (Note 5)	The Company	All companies included into the financial statement (Note 5)	The Company	All companies included into the financial statement (Note 5)	The Company		All companies included into the financial statement (Note 5)		The Company	All companies included into the financial statement (Note 5)	
								Cash amount	Stock amount	Cash amount	Stock amount			
General Manager	Wong, Ming-Sen	15,744	15,744	207	207	0	0	300	0	300	0	14.63%	14.63%	None
Executive Deputy General Manager	Yang, Ya-Hsiu													
Senior Deputy General Manager	Yang, Li-Jung													
Deputy General Manager	Huang, Ying-Yen													
Deputy General Manager	Sekiyama Takayuki													

Range of Remuneration Paid to the General Manager and Deputy General Manager	Name of General Manager and Deputy General Manager	
	The Company (Note 7)	All companies included into the financial statement (Note 8) E
Less than NT\$1,000,000	0	0
NT\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive)	Huang, Ying-Yen	Huang, Ying-Yen
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)	Yang, Li-Jung Sekiyama Takayuki	Yang, Li-Jung Sekiyama Takayuki
NT\$3,500,000 (inclusive)~NT\$5,000,000 (exclusive)	Wong, Ming-Sen	Wong, Ming-Sen
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	Yang, Ya-Hsiu	Yang, Ya-Hsiu
NT\$10,000,000 (inclusive)~NT\$15,000,000 (exclusive)	0	0
NT\$15,000,000 (inclusive)~NT\$30,000,000 (exclusive)	0	0
NT\$30,000,000 (inclusive)~NT\$50,000,000 (exclusive)	0	0
NT\$50,000,000 (inclusive)~NT\$100,000,000 (exclusive)	0	0
Over NT\$100,000,000	0	0
Total	5	5

Note 1: The name of General Manager or Deputy General Managers shall be identified specifically, and the various payments shall be summarized and then disclosed. If a Director also serves as the General Manager or Deputy General Manager, please fill in this table and Table 1-1 or Table 1-2-1 and Table 1-2-2.

Note 2: Please specify the salary, duty allowance and severance paid to the General Managers and Deputy General Managers in the most recent year.

Note 3: Please specify the bonus, reward, transportation allowance, special allowance, various allowances, and provision of such tangible objects as dormitory and car, as well as other remunerations, received by the General Managers and Deputy General Managers in the most recent year. If housing, vehicle or other means of transportation, or personal expenses are provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, disclose compensation paid to the driver in a note; however, do not calculate such as part of executive compensation. The salary recognized in accordance with the IFRS 2 "Share-based payment," including obtaining employee stock option certificates, restricting employee rights to new shares, and participating in cash incremental subscription shares shall also be included in the remuneration.

Note 4: Refers to the remuneration (including stock and cash) for the General Managers and Deputy General Managers paid by the Board of the Directors in the most recent year. Those who cannot estimate the amount shall calculate based on the proportion of the actual distribution amount from last year, and complete the chart in Appendix 1.3.

Note 5: The total amount of remuneration paid to each General Manager and Deputy General Manager of all companies (including the Company) in the consolidated report shall be disclosed.

Note 6: The aggregate of the remuneration to each president or vice president by the Company shall include the General Manager's or Deputy General Manager's name disclosed in the relevant space of the following table.

Note 7: The aggregate of the remuneration paid to each of the Company's General Managers and Deputy General Managers by the companies included into the consolidated financial reports (including the Company) shall include the president's and vice president's names disclosed in the relevant space of the following table.

Note 8: Net profit after-tax refers to the net income stated in the parent company only financial reports or individual financial reports

Note 9: a. This column should specify the amount of remuneration received by the General Managers and Deputy General Managers of the Company from the reinvested business outside the subsidiary (please fill in "None" if none)

b. If the Company's General Managers and Deputy General Managers have received remuneration from investees beyond subsidiaries, please include the same into Section E in the following table and changed the name of the section into "all investees".

c. The remuneration shall refer to the remuneration, compensation, employee bonus and professional practicing fees received by the Company's General Managers and Deputy General Managers who acted as the Directors, Supervisors or managerial officers of investees other than subsidiaries.

* The remuneration contents disclosed in this table are different from the concept of income specified in the Income Tax Act, thus the purpose of this table is for information disclosure only, rather than taxation purpose.

(IV) Name and status of the managers who allocate employee remuneration:

Unit: NT\$1,000

	Job Title (Note 1)	Name (Note 1)	Stock amount	Cash amount	Total	Ratio of Total Amount to Net Income (%)
Managerial Officer	Deputy General Manager	Huang, Ying-Yen	N/A	480	480	0.43%
	Deputy General Manager	Sekiyama Takayuki				
	Chief Financial Officer	Chen, Chun-Wei				
	Accounting Controller	Yang, Pi-Yin				

Note 1: Please disclose the name and job title individually, while the allocation of earnings may be summarized and then disclosed.

Note 2: The value of remunerations approved to be assigned to managers by the Board of Directors in the most recent year (including shares and cash). If it is impossible to estimate the value planned to be distributed this year, follow the actual value distributed last year and calculated proportionally. The earnings after tax refers to the earnings after tax in the most recent year. If the IFRSs are adopted, the earnings after tax shall refer to the earnings after tax identified in the entity or individual financial statement for the most recent year.

Note 3: For the applicability of managers, follow the Tai-Cai-Zheng-San No. 0920001301 letter dated March 27, 2003.

- (1) General Manager and equivalents;
- (2) Deputy General Manager and equivalents;
- (3) Assistant Manager and equivalents;
- (4) Chief of Financial Dept.;
- (5) Chief of Accounting Dept.;
- (6) Any other persons in charge of the Company's affairs and entitled to sign instruments on behalf of the Company.

(V) A cross-analysis of the percentage of total remuneration paid to the Directors, Supervisors, General Manager and Deputy General Manager, etcetera, of the Company as a percentage of net profit after tax of the individual financial reports in the most recent two years of the Company and consolidated statements, as well as the relevance between remuneration policies, standards, and the composition of the remuneration payment to the procedures of determining remuneration and business performance:

1. Analysis of the proportion of the total remuneration of Directors, supervisors, General Managers and Deputy General Managers of the Company paid by the Company and all companies in the consolidated financial statement to net profit after tax in individual financial statements of the past two years:

Unit: NT\$1,000

Year	Total Remuneration Paid to the Director, General Manager, and Deputy General Manager		Percentage of total net profit after tax (%)	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
108	19,091	19,226	8.35%	11.47%
109	19,624	20,024	17.67%	16.04%

2. Relevance between remuneration policies, standards, and the composition of the remuneration payment to the procedures of determining remuneration and business performance:

In accordance with Article 27 of the Articles of Association, if the Company is profitable in the year, it shall be paid at least 1% for the employee's remuneration and not more than 1.5% for the Director's remuneration. The remuneration of the managers includes salary and bonus. The salary shall be reported to the Board of Directors for approval by the Remuneration Committee in accordance with the provisions of salary of the Company, and the bonus is given as per the value of their contribution.

Directors emoluments include business execution fees and Director remuneration, in which the business execution fee is a fixed remuneration and Director remuneration shall be reported to the Board of Directors for approval by the Remuneration Committee in accordance with the articles of association of the Company, the degree of participation in the operation of the Company (e.g., management performance assessment results reviewed by the Board of Directors) and the value of their contribution, and in consideration of the standard of the domestic industry, and/or the industry in the same field.

IV. The State of the Company's Implementation of Corporate Governance

(I) The state of operations of the Board of Directors: 7 meetings were held by the Board of Directors in the Fiscal Year of 2020. The attendance of Directors is listed as per below:

Position	Name (Note 1)	Attendance in Person	Attendance by Proxy	Actual Attendance (%) (Note 2)	Note
Chairman	Wong, Ming-Sen	7	0	100%	
Director	Yang, Ya-Hsiu	4	3	57%	
Director	Kuo, Junne-Huey	7	0	100%	
Director	Tseng, Yi-An	7	0	100%	
Director	Tsai, Tsung-Han	4	3	57%	
Director	Tsai Wong, Ya-Li	7	0	100%	
Director	Yeh, Min-Cheng	7	0	100%	
Director	Chen, Hsien-Tai	4	3	57%	
Independent Director	Shiau, Fung-Shyung	7	0	100%	
Independent Director	Wu, Cheng-Hsiu	5	2	71%	
Independent Director	Lee, Ming-Yen	7	0	100%	

Other matters to be recorded:

I. If any of the following circumstances occurs, the meeting date, period, content, qualified opinion and resolution made by any Independent Director should be specified.

(1) Matters specified in Article 14-3 of the Taiwan Securities and Exchange Act.

(2) Aside from matter stated above, any other Board meeting resolutions that have been objected to or retained by Independent Directors with a record or written statement.

Board of Directors	Content of Motion and Follow-up	Matters specified in Article 14-3 of the Securities and Exchange Act	Objections or Reservations by Independent Directors
The 14th meeting of the 14th session March 4, 2020	1. Intended to dispose of the shares of Benmeng Photoelectric Co., Ltd. held by the Company.	V	
	Independent Director's Opinion: None		
	Handling of Independent Director's Opinion by the Company: None		
	Resolution result: Approved by all Directors present at the meeting		
The 15th meeting of the 14th session March 27, 2020	1. The suitability and independence evaluation and appointment of the Company's Certified Accountant.	V	
	2. 2019 annual statement of internal control system.	V	
	Independent Director's Opinion: None		
	Handling of Independent Director's Opinion by the Company: None		
	Resolution result: Approved by all Directors present at the meeting		

The 18 th meeting of the 14th session August 13, 2020	1. The Company intended to sell the land and buildings in Guishan District, Taoyuan City.	V	
	Independent Director's Opinion: None		
	Handling of Independent Director's Opinion by the Company: None		
	Resolution result: Approved by all Directors present at the meeting		
The 19 th meeting of the 14th session November 12, 2020	1. Amended the Company's "Internal Audit System", "Accounting Professional Judgment Procedure, Accounting Policy and Estimation Change Process", "Management of Applicable International Financial Reporting Standards" and "Accounting System".	V	
	Independent Director's Opinion: None		
	Handling of Independent Director's Opinion by the Company: None		
	Resolution result: Approved by all Directors present at the meeting		

II. Regarding recusals of Directors from voting due to conflicts of interests, the names of the Directors, contents of motions, reasons for recusal, and results of voting shall be specified:

On January 16, 2020, the Board of Directors of the Company discussed the distribution of the year-end bonus for 2019. The related party of interest, Director Yang, Ya-Hsiu, withdrew from the discussion and voting.

III. The assessment implementation status of the Board of Directors, please refer to [Table 1].

IV. Assessment of enforcement for the function of Board of Directors in the current and most recent years (i.e. establishment of Audit Committee and improving the transparency of information):

1. The Company has established an Audit Committee, which shall be formed by 3 Independent Directors and meet at least once per quarter to exercise the functions and powers prescribed by the Securities and Exchange Act, the Company Act, and other regulations. Please refer to #page 22# of this annual report for the operation of the Audit Committee.
2. The Company has established a Remuneration Committee, which is unanimously approved by all the attending Directors to appoint the Independent Directors Wu, Cheng-Hsiu, Shiau, Fung-Shyung, and Lee, Ming-Yen as members of the Committee, in which the meeting should be held at least twice per year. Please refer to #page 32# of this annual report for the operation of the Remuneration Committee.

Note 1: For a Director or Supervisor who is a corporation, please specify the corporate shareholder's name and its representative's name.

Note 2: (1) If a Director or Supervisor resigns before the end of the accounting year, the resignation date shall be noted in the "Remarks" column. His or her attendance rate (%) will be calculated on the basis of number of Board meetings held during his or her tenure and number of such meetings attended.

(2) If a Director or Supervisor is re-elected before the end of the accounting year, the names of the current and previous Director or Supervisor shall be listed and their appointment status and re-election date shall be noted in the "Remarks" column. Their attendance rate (%) to Board session shall be calculated based on the number of meetings called and the actual number of sessions they attended, during the term of office.

Table 1: The assessment implementation status of the Board of Director

Assessment cycle (Note 1)	Assessment period (Note 2)	Assessment range (Note 3)	Assessment approach (Note 4)	Content (Note 5)
		1. The Board of Directors 2. Members of the Board of Directors 3. Functional committees (Remuneration Committee and Audit Committee)	In accordance with the questionnaire responded by members of the company's Board of Directors and each functional committee (Audit Committee and Remuneration Committee), and actual meeting status, to conduct analysis and sorting.	1. The criteria for evaluating the performance of the Board of Directors, which should cover the following five aspects: Participation in the operation of the Company; Improvement of the quality of the Board of Directors' decision making; Composition and structure of the Board of Directors; Election and continuing education of the Directors; and internal control. 2. The criteria for evaluating the performance of the Board members (on themselves or peers), should cover the following six aspects: Alignment of the goals and missions of the Company; Awareness of the duties of a Director; Participation in the operation of the Company; Management of internal relationship and communication; The Director's professionalism and continuing education; and Internal control. 3. The criteria for evaluating the performance of functional committees should cover the following five aspects: Participation in the operation of the Company; Awareness of the duties of the functional committee; Improvement of quality of decisions made by the functional committee; Makeup of the functional committee and election of its members and Internal control.

Note 1: Fill out the frequency of the evaluation of the Board of Directors, e.g. once a year.

Note 2: Fill in the period covered for the assessment of the performance of the Board of Directors, for example: The assessment period of the performance of the Board of Directors is from January 1, 2020 to December 31, 2020.

Note 3: The evaluation scopes include the assessment of the performance of the Board of Directors, individual members of the Board of Directors, and functional committee.

Note 4: Methods of evaluations include the self-evaluation of the Board, self-evaluation by individual Board members, peer review, and evaluation by appointed external professional institutions, experts, or other appropriate methods.

Note 5: the evaluation contents shall include at least the following items according to the scope of evaluation:

- (1) The assessment of the performance of the Board of Directors, at a minimum, including participation in the operation of the Company; The quality of the Board of Directors' decision making; Composition and structure of the Board of Directors; Election and continuing education of the Directors; and Internal control.
- (2) The assessment of the performance of the individual member of the Board of Directors, at a minimum, including alignment of the goals and missions of the Company; Awareness of the duties of a Director; Participation in the operation of the Company; Management of internal relationship and communication; The Director's professionalism and continuing education; and Internal control.
- (3) The assessment of the performance of the functional committee, at a minimum, including participation in the operation of the Company; Awareness of the duties of the functional committee; The quality of decisions made by the functional committee; Makeup of the functional committee and election of its members and Internal control.

(II) Operation of the Audit Committee:

The Audit Committee has held 5 meetings (A) in the most recent fiscal year. The attendance of the Independent Directors is listed as per below:

Position	Name	Attendance in Person (B)	Attendance by Proxy	% of Actual Attendance (B/A) (Note)	Note
Independent Director	Shiau, Fung-Shyung	5	0	100%	
Independent Director	Wu, Cheng-Hsiu	3	2	60%	
Independent Director	Lee, Ming-Yen	5	0	100%	

Audit Committee's annual tasks aggregate

(1) The tasks of the Audit Committee mainly include the following:

1. The adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
2. Assessment of the effectiveness of the internal control system.
3. The adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others.
4. Matters in which a Director is an interested party.
5. Asset transactions or derivatives trading of a material nature.
6. Loans of funds, endorsements, or provision of guarantees of a material nature.
7. The offering, issuance, or private placement of equity-type securities
8. The hiring or dismissal of a certified public accountant, or their compensation.
9. The appointment or discharge of a financial, accounting, or internal audit officer.
10. Annual financial reports and second quarter financial reports audited and certified by the CPAs.

(2) Audit and review financial reports

The Board of Directors has created the business report, financial statements, and appropriation of earnings for recent year. The financial statements are verified by PwC Taiwan, which issued a verification report. The above-mentioned business report, financial statements, and appropriation of earnings are approved by the Audit Committee and it is considered that there is no disagreement.

(3) Assessment of the effectiveness of the internal control system

Audit Committee assesses the effectiveness of the design and execution of the Company's internal control system (includes control measures in finance, operation, risk management, information security, regulation compliance, etc.), and review the regular reports of the Company's audit department and certified accountants such as risk management and regulation compliance.

(4) The operating status in 2020

Board of Directors Meeting Date	Content of Motion and Follow-up	Matters specified in Article 14-5 of the Securities and Exchange Act	Other resolutions passed by two thirds of all Directors but yet to be approved by the Audit Committee
The 15th meeting of the 14th session March 27, 2020	1. The suitability and independence evaluation and appointment of the Company's Certified Accountant.	V	
	2. 2019 annual statement of internal control system.	V	
	Resolution result of the Audit Committee (March 27, 2020) : Approved by all directors present at the meeting.		
	Handling of the opinion of the Audit Committee by the Company: Approved by all		

	Directors present at the meeting.		
The 18 th meeting of the 14th session August 13, 2020	1. The Company intended to sell the land and buildings in Guishan District, Taoyuan City.	V	
	Resolution result of the Audit Committee (August 13, 2020) : Approved by all directors present at the meeting.		
	Handling of the opinion of the Audit Committee by the Company: Approved by all Directors present at the meeting.		
The 19 th meeting of the 14th session November 12, 2020	1. Amended the Company's "Internal Audit System", "Accounting Professional Judgment Procedure, Accounting Policy and Estimation Change Process", "Management of Applicable International Financial Reporting Standards" and "Accounting System".	V	
	Resolution result of the Audit Committee (November 12, 2020): Approved by all directors present at the meeting.		
	Handling of the opinion of the Audit Committee by the Company: Approved by all Directors present at the meeting.		

Other matters to be recorded:

- I. With regard to the implementation of the Audit Committee, if any of the following circumstances occurs, the dates, terms of the meetings, contents of motions, all Audit Committee resolutions, and the Company's handling of such resolutions shall be specified:
- (1) Matters specified in Article 14-5 of the Securities and Exchange Act.
 - (2) Aside from matter stated above, other resolutions passed by two thirds of all Directors but yet to be approved by the Audit Committee.
- II.Regarding recusals of Independent Directors from voting due to conflicts of interests, the names of the Independent Directors, contents of motions, reasons for recusal, and results of voting shall be specified: None.
- III.Communication between the Independent Directors, chief internal auditor, and CPAs (including the key items, methods, and results of audit of finances and operations)
- (1) The Company holds regular Audit Committee meeting. Besides having the internal audit officers who shall attend the meeting, the Company will invite accountants and relevant supervisors to attend as required.
 - (2) The Audit Committee is formed by all Independent Directors of the Company. The internal audit officers would meet with the Independent Directors before the end of each month to provide audit report for the Directors' review and signature. In addition, the audit officers would regularly meet with the Independent Directors and accountants twice every year to ensure a good communication.

Date	Way of communication	Motion	Results
January 16, 2020	Meeting	Discuss the preliminary views on the audit plan, risk assessment and key audit matters in 2019.	All the Independent Directors present at this meeting had no opinion.
March 27, 2020	Corporate governance meeting	Accountants report and explain the verification status and result of the individual and consolidated financial reports of 2019.	The Audit Committee passed the financial report 2019 and submitted it to the Board of Directors for approval, and announced and reported to the competent authority as scheduled.
August 13, 2020	Corporate governance meeting	Accountants report and explain the verification status and result of the individual and consolidated financial reports of the first half of 2020.	The Audit Committee passed the financial report for the first half of 2020 and submitted it to the Board of Directors for approval, and announced and reported to the competent authority as scheduled.
December 30, 2020	Meeting	Discuss the preliminary views on the audit plan, risk assessment and key audit matters in 2020.	All the Independent Directors present at this meeting had no opinion.

- (3) The Audit Committee shall meet with the Company's CPA on a regular basis every year to review and verify the financial statements with, and communicate matters according to relevant laws and regulations.

(III) Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof

Evaluation Item	Implementation Status (Note)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
I. Does the Company establish and disclose its corporate governance best-practice principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company has formed a “Corporate Governance Best-Practice Principles” to protecting shareholders' rights and interests, strengthening the functions of the Board of Directors, respecting the rights and interests of the stakeholders, and enhancing the transparency of information	In line with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
II. Shareholding structure & shareholders' rights				
(I) Does the Company establish internal operating procedures or policies to handle shareholder suggestions, doubts disputes and lawsuits and implemented such procedures or policies?	✓		(I) The Company has set up a website to collect shareholder's suggestions, and positions for spokesperson, and legal office to handle shareholders' suggestions, doubts, and litigations.	In line with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
(II) Does the Company possess a list of major shareholders and list of ultimate owners of these major shareholders?	✓		(II) The Company would by law report the changes to the shareholdings of the internal employees, including Directors, managers, and shareholders who hold more than 10% of the shares on the website the public information observatory on a monthly basis.	In line with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
(III) Has the Company established and enforced risk control and firewall systems with its affiliate companies?	✓		(III) The Company has established the “Measures for Governance and Supervision of Subsidiaries” to ensure that all financial activities are operated in accordance with the internal control system.	In line with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
(IV) Has the Company adopted internal rules prohibiting company insiders from trading securities using information not disclosed to the market?	✓		(IV) The Company has established an “Insider Trading Policy” to prohibit internal employees from trading securities using undisclosed market information.	In line with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed

Evaluation Item	Implementation Status (Note)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
				Companies.
III. Composition and responsibilities of the Board of Directors	✓			
(I) Is the composition of the Board of Directors determined by taking appropriate policy based on diversity and ensure the actual implementation?	✓		(I) 1. The Company is governed by the diversification policy of the “Corporate Governance Best-Practice Principle”, in which members of the Board of Directors have different professional backgrounds, genders and working fields, so it helps to improve the board structure of the Company. 2. Current Board of Directors in office is composed of 11 Directors, including 3 independent Directors. The experienced members are well equipped with expertise in finance, business and management. In alignment with the policy of gender equality promotion, the ratio goal of female Board members is 25% and above. Currently, there are 11 Directors include 3 female Board members are appointed, reaching 27%. Please refer to Table 2 for detailed information.	In line with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
(II) In addition to the Remuneration Committee and Audit Committee, has the Company voluntarily established other functional committees?	✓		(II) The Company has established a Remuneration Committee and the Audit Committee; other functional committees will be formed according to the future operational needs to strengthen the supervision and management function of the Board of Directors.	In line with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
(III) Has the Company established standards to measure the performance of the Board, and does the Company implement such annually? Does it report the results of the performance evaluation to the BOD and use them as a reference for each Director's remuneration and nomination of term renewal?	✓		(III) The Company has established a “Board Assessment Management Method” and regularly conducts performance appraisal every year and submit the results of performance assessments to the Board of Directors, to improve the function, operational efficiency, and reference in the nomination and additional office term of the Board of Directors of the Company. The result of the assessment (submitted on March 25, 2021) is based on the questionnaire responded by members of the Company’s Board of Directors and each functional committee (Audit Committee and Remuneration Committee) and actual meeting status, to conduct analysis and	In line with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

Evaluation Item	Implementation Status (Note)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
			sorting. The overall operation result is “nearly strongly agree” (average is approximate 4.6 points, 1 strongly disagree, 2 disagree, 3 neutral, 4 agree, 5 strongly agree.) , giving a positive appraisal. Evaluating matters and results are listed as the followings: 1. Evaluation of the performance of the Company’s Board of Directors (1) Evaluating items cover five aspects: Participation in the operation of the Company; Improvement of the quality of the Board of Directors' decision making; Composition and structure of the Board of Directors; Election and continuing education of the Directors; and Internal control. (2) Evaluating result: the Board of Directors and operating team have great communication and respect professions, enable the Board members to grasp the operating status. 2. Board members’ evaluation (1) Evaluating items cover six aspects: Alignment of the goals and missions of the Company; Awareness of the duties of a Director; Participation in the operation of the Company; Management of internal relationship and communication; The Director's professionalism and continuing education; and Internal control. (2) Evaluating result: Directors (including Independent Directors) are professional and responsible. They have great communication and the meetings are going smoothly. 3. Evaluation of the performance of functional committee (1) Evaluating items cover five aspects: Participation in the operation of the Company; Awareness of the duties of the functional committee; Improvement of quality of decisions made by the functional committee; Makeup of the functional committee and election of its members and Internal control. (2) Evaluating result: Independent Directors can perform operation of each functional committee	

Evaluation Item	Implementation Status (Note)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
(IV) Does the Company regularly assess on the independence of CPAs?	✓		independently and effectively. (IV) The Company shall evaluate the independence of the CPA voluntarily once a year, in line with the “Regulations for the Appointment and Administration Changes of CPA firm and CPA” and report the results for resolutions in Audit Committee meeting on March 27, 2020 and Board of Directors meeting on March 27, 2020. Both Yu, Shu-Fen and Chang, Shu-Chiung (CPA) from PwC Taiwan are qualified with the independence assessment standards, and are eligible to obtain the CPA position for the Company. The important evaluation categories of the CPA are listed as per below: 1. The CPA has not been a Director or an Independent Director of the Company or its affiliated enterprise presently or in the last two years. 2. The CPA is not a shareholder of the Company or its affiliated enterprises. 3. The CPA is not remunerated by the Company or its affiliated enterprises.	In line with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
IV. Does the Company appoint adequate persons and a chief governance officer to be in charge of corporate governance matters (including but not limited to providing Directors and Supervisors required information for business execution, assisting Directors and Supervisors in following laws and regulations, handling matters in relation to the Board meetings and shareholders' meetings and keeping minutes at the Board meetings and shareholders' meetings according to law)?	✓		(I) The Company has appointed a chief corporate governance officer, and the finance and accounting investment office of the Company is in charge of the corporate governance related affairs. Main responsibilities are as follows: 1. Develop and plan appropriate corporate systems and organizational structures to promote the independence of the Board of Directors, corporate transparency, the compliance of laws and regulations, and the implementation of internal audit and control. 2. Consult and develop meeting agenda before the Board meeting, and notify all Directors to attend the meeting at least 7 days before the meeting to facilitate the Directors' understanding of the meeting topics, and shall provide prior notice if there are potential topics related to the stakeholders which should be avoided as necessary. 3. Register the date of shareholders' meeting every year before the due date prescribed by law. Prepare and report the meeting notice, handbook, and minutes	In line with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

Evaluation Item	Implementation Status (Note)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			before the due date. Apply for registration change after an amendment of the articles or a re-election of Directors have taken place. (II) The status of continuing education hours of the chief corporate governance officer, please refer to page 42 in this annual report.	
V. Does the Company establish communication channels and a dedicated section on the Company website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers) to respond to material corporate social responsibility issues in a proper manner?	✓		The Company has established the position of a spokesperson and a deputy spokesperson. Depending on the stakeholders, it may instruct the Accounting and Investment Management Office, the Human Resources Office, the Purchasing Office and other departments to establish appropriate communication channels with all stakeholders to maintain legal rights of both parties, with contact information for spokespersons and business teams on the Company's website.	In line with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
VI. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The Company has appointed KGI Securities Co., Ltd. as the professional stock service agency for shareholder affairs.	In line with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
VII. Information disclosure				
(I) Has the Company established a corporate website to disclose information regarding the Company's financial, business, and corporate governance status?	✓		(I) The Company has established Mandarin/English website http://www.cmcnet.com.tw/maintained by professional, to disclose finance, business, stock affairs, corporate governance, and other related information for investor's reference.	In line with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
(II) Has the Company established any other information disclosure channels (e.g. maintaining a website in English, designating people to handle information collection and disclosure, appointing spokespersons, webcasting investors' conference, etc.)?	✓		(II) The Company has established the spokesperson system, in which a professional is in charge of collecting the important information of the Company and disclosing at the "Public Information Observatory" according to the operating procedures prescribed by the competent authority. The spokesperson/deputy spokesperson would make unified statement to the public.	In line with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
(III) Does the Company announce and declare the annual financial report within two months after the end of the fiscal year? Does it announce and declare the first, second and third quarter financial reports and operating conditions of each month as		✓	(III) The Company publicly announces and registers the financial reports for the first, second and third quarters as well as its operating status for each month. They are all in line with related principles from the competent authority.	In line with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

Evaluation Item	Implementation Status (Note)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
soon as possible before the prescribed period?				
VIII.Does the Company have other important information that helps to understand the operation of corporate governance?				
(I) Employee's rights, interests, and care	✓		(I) The Company upholds respect for human rights and eliminates all forms of forced labor and employment discrimination. The Company promise that human resource policy will be regardless of race, class, language, thought, religion, party, place of birth, gender tendency, age, marriage, appearance, facial features, and trade union status; for employment conditions, compensation, welfare, training, assessment and promotion, the Company also strives for fairness. For the possibility of harming the rights and interests, the Company also set up multiple channels such as employee symposiums, publicity sessions, suggestion boxes and grievance lines to help employees provide advice and achieve harmonious labor relations.	In line with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
(II) Investor relation	✓		(II) The Company's website has an investor relations area. Exposing financial stocks and corporate governance and other assets. Relevant information and instant announcement in accordance with the regulations on the website of the public information observatory designated by the competent authority. Relevant information and instant announcement in accordance with the regulations on the website of the public information observatory designated by the competent authority.	In line with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
(III) Supplier relations	✓		(III) In accordance with the internal control system and ISO quality process system of CMC, including the requisition, procurement process and feeding, quality acceptance process, payment verification process, etc.	In line with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
(IV) Stakeholders' rights	✓		(IV) The Company has a variety of channels to communicate with interested parties to safeguard the legitimate rights and interests of both parties.	In line with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed

Evaluation Item	Implementation Status (Note)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
(V) Continuous education and training and the Directors	✓		(V) Please refer to Table 3 “Directors' Training of the Company”.	In line with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
(VI) Risk management policies and risk evaluation implementation standards	✓		(VI) Please refer to page 311 Management's Discussion and Analysis of Financial Condition and Risk Factors.	In line with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
(VII) Implementation of customer policies	✓		(VII) The Company maintains a good communication channel with its customers on weekdays, keeps control of customer order requirements, and regularly tracks customer payment progress, in order to create profitability of the Company while taking into account the control of customer credit risk.	In line with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
(VIII) What is the circumstance of the Company purchasing liability insurance for the Directors?	✓		(VIII) The Company purchases liability insurance with an upper limit of USD10 million in order to meet the requirements of the competent authority and protect the Directors from personal liability and financial losses caused by third-party litigation due to the execution of their duties.	In line with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.
(IX) Improvements made in the most recent fiscal year in response to the results of corporate governance evaluation conducted by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, and improvement measures and plans for items yet to be improved. (I) Indicators of improvement drawn from the seventh Corporate Governance Evaluation in comparison with last year's result: 1. The Company has revised its dividend policy and disclosed the specific and accurate dividend policy in the annual report. 2. The Company pays dividends in the year under evaluation, which are distributed within 30 days after the ex-dividend base date. 3. An information security risk management structure has been set up and exposed on the Company's website. 4. Planning on referring to The International Covenant of Human Rights, establishing human-rights-protected policy and specific managing programs. (II) Priorities and measures to be undertaken from the result of the seventh Corporate Governance Evaluation: 1. Disclose the Connection between the Performance Evaluation and Remuneration of Directors and Managers. 2. Intends to develop an intellectual property management plan which is linked to the operational target.				

Evaluation Item	Implementation Status (Note)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	

[Table 2] Diversification of Board Members

Diversified Core Competences Name of Director	Basic composition						Industrial experience and professional expertise				
	Nationality	Gender	Serve concurrently as the Company's employees	Tenure of Independent Director			Business Administration	Decision-Making	Industrial Knowledge	Finance and Accounting	Legal matters
				Under 3 years	3 to 9 years	Over 9 years					
Wong, Ming-Sen	R.O.C.	Male	V				V	V	V		
Yang, Ya-Hsiu	R.O.C.	Female	V				V	V	V		
Kuo, Junne-Huey	R.O.C.	Male						V		V	
Tseng, Yi-An	R.O.C.	Male							V		
Tsai, Tsung-Han	R.O.C.	Male							V		
Tsai Wong, Ya-Li	R.O.C.	Female					V			V	
Yeh, Min-Cheng	R.O.C.	Male							V	V	
Chen, Hsien-Tai	R.O.C.	Male							V		
Shiau, Fung-Shyung	R.O.C.	Male			V		V	V		V	
Wu, Cheng-Hsiu	R.O.C.	Male			V						V
Lee, Ming-Yen	R.O.C.	Female			V					V	V

Evaluation Item	Implementation Status (Note)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	

[Table 3] Status of Continued Studies Taken by Directors in Year 2020

Position	Name	Date	Training Institution	Course Name	Training Hours
Chairman	Wong, Ming-Sen	2020.08.06	Taiwan Corporate Governance Association	How Corporates Strengthen Their Strategy Execution	3
Chairman	Wong, Ming-Sen	2020.11.11	Taiwan Corporate Governance Association	Director and Supervisor Responsibility Based on Illegal Cases in Securities Market	3
Director	Yang, Ya-Hsiu	2020.08.06	Taiwan Corporate Governance Association	How Corporates Strengthen Their Strategy Execution	3
Director	Yang, Ya-Hsiu	2020.11.11	Taiwan Corporate Governance Association	Director and Supervisor Responsibility Based on Illegal Cases in Securities Market	3
Director	Kuo, Junne-Huey	2020.08.06	Taiwan Corporate Governance Association	How Corporates Strengthen Their Strategy Execution	3
Director	Kuo, Junne-Huey	2020.11.11	Taiwan Corporate Governance Association	Director and Supervisor Responsibility Based on Illegal Cases in Securities Market	3
Director	Yeh, Min-Cheng	2020.11.11	Taiwan Corporate Governance Association	Director and Supervisor Responsibility Based on Illegal Cases in Securities Market	3
Independent Director	Shiau, Fung-Shyung	2020.08.06	Taiwan Corporate Governance Association	How Corporates Strengthen Their Strategy Execution	3
Independent Director	Shiau, Fung-Shyung	2020.11.11	Taiwan Corporate Governance Association	Director and Supervisor Responsibility Based on Illegal Cases in Securities Market	3
Independent Director	Wu, Cheng-Hsiu	2020.08.06	Taiwan Corporate Governance Association	How Corporates Strengthen Their Strategy Execution	3
Independent Director	Wu, Cheng-Hsiu	2020.11.11	Taiwan Corporate Governance Association	Director and Supervisor Responsibility Based on Illegal Cases in Securities Market	3
Independent Director	Lee, Ming-Yen	2020.08.06	Taiwan Corporate Governance Association	How Corporates Strengthen Their Strategy Execution	3
Independent Director	Lee, Ming-Yen	2020.11.11	Taiwan Corporate Governance Association	Director and Supervisor Responsibility Based on Illegal Cases in Securities Market	3

Note: Reasons for checks of "Yes" or "No" of status should be specified in "Summary Description" column.

(IV) The composition, responsibilities and operation of the Company's Salary and Remuneration Committee:

1. Professional Qualifications and Independence Analysis of the Remuneration Committee Members

Title (Note 1)	Qualifications	Meeting One of the Following Professional Qualification Requirements, Together with At Least Five Years of Work Experience			Status of independence (Note 2)										Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Note
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist who Has Passed a National Examination and Has Been Awarded a Certificate in a Profession Necessary for the Business	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Shiau, Fung-Shyung	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	
Independent Director	Wu, Cheng-Hsiu		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Independent Director	Lee, Ming-Yen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	

Note 1: For the title, please fill in Director, Independent Director, or others.

Note 2: Please check “✓” the corresponding boxes if the members meet the following conditions during the two years prior to the nomination and during the term of office.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a Director or Supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an Independent Director of the Company's parent company or any subsidiary appointed in accordance with the Regulations Governing the Appointment of Independent Directors and Compliance Matters for Public Companies or other local laws and regulations.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or is ranked in the top 10 in shareholdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the above persons in the preceding three subparagraphs.
- (5) Not a Director, Supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among the top 5 in shareholdings, or that designates its representative to serve as a Director or Supervisor of the Company under Paragraph 1 or 2, Article 27 of the Company Act (except for an Independent Director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (6) Not a Director, Supervisor or employee of a company controlled by the same person who has shares over half of the Company's Director seats or voting rights (except for an Independent Director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (7) Not a Chairman, General Manager, or employee of another company or institution who, or whose spouse, is a Director, Supervisor, or employee holding an equivalent position of the Company (except for an Independent Director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (8) Not a Director, Supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company (except for a specific company or institution holding more than 20% but less than 50% of the total issued shares of the Company and concurrently serving as an Independent Director, as appointed in accordance with the Act or the laws and regulations of the local country, at the Company and its parent or subsidiary or a subsidiary of the same parent).
- (9) Not a professional individual, sole proprietorship, partnership, owner of a company or institution, partner, Director, Supervisor, managerial officer or spouse thereof that provides auditing service for the Company or any of its affiliates, or provides commercial, legal, financial, or accounting service with cumulative remuneration less than NT\$500,000 in the past two years. However, this does not apply in cases where members of the Remuneration Committee, the Review Committee for Public Tender Offer or the Special Committee for Mergers and Acquisitions perform their functions in accordance with the Securities and Exchange Act or the Business Mergers and Acquisitions Act.
- (10) Not under any of the categories stated in Article 30 of the Company Act.

2. Operational status of the Remuneration Committee

(1) There are 3 members in the Company's Remuneration Committee.

(2) Current term: June 12, 2018 – June 11, 2021. There were 3 Remuneration Committee meetings (A) in the most recent year (2020). The qualifications and attendance are listed as per below:

Position	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) (B/A)(Note 1)	Note
Convener	Shiau, Fung-Shyung	3	0	100%	
Committee Member	Wu, Cheng-Hsiu	3	0	100%	
Committee Member	Lee, Ming-Yen	3	0	100%	

Remuneration Committer	Content of Motion and Follow-up	Resolution	The Company's treatment of the Remuneration Committee's opinion
4th Session 4th meeting 2020.01.16	The Company's year-end bonus distribution for managers of 2019.	Approved by all Committee members.	Proposed to, and approved by all attended Board members
4th Session 5th meeting 2020.3.27	The Company's Distribution of Employee Remuneration and Director Remuneration for 2019.	Approved by all Committee members.	Proposed to, and approved by all attended Board members and proposed to the report of the shareholders' meeting.
4th Session 6th meeting 2020.8.1	The Company's Distribution of Director Remuneration for 2019	Approved by all Committee members.	Proposed to, and approved by all attended Board members

Other matters to be recorded:

- I. If the Board of Directors decline to adopt or modify a suggestion from the Remuneration Committee, it should specify the date of the meeting, session, content, resolution of the Board of Directors, and the Company's response to the opinion of Remuneration Committee: None
- II. For resolution(s) made by the Remuneration Committee with the Committee members voicing opposing or qualified opinions on the record or in writing, please state the meeting date, term, contents of motion, and opinions of all members and the Company's handling of said opinions: None.

Note 1:

- (1) Those who have resigned from the Remuneration Committee before the end of the year, shall indicate the date of resignation in the remarks column. The actual attendance rate (%) shall be calculated based on the number of meetings of the Salary and Remuneration Committee, during their employment and their actual attendance.
- (2) Before the end of the year, if the Salary and Remuneration Committee is re-elected, the members of the new and old Salary and Remuneration Committee shall be filled in, and the remarks column shall indicate the member as the old, new or re-election and re-election date. His or her attendance rate (%) will be calculated on the basis of number of Remuneration Committee meetings held during his or her tenure and number of such meetings attended.

(V) Corporate Social Responsibility

Evaluation Item	Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof												
	Yes	No	Summary Description (Note 2)													
I. Does the Company follow the significant principle, conducting risk assessment of environment, society, and corporate management issues related to business operation, and stipulate related risk management policy or strategies? (Note 3)	✓		I. The Company has established a Code of Practice for Corporate Social Responsibility, while actively implement corporate social responsibility for the Company's overall operational activities, review and revise it in the future based on actual implementation. Refer to #page 276# of the annual report for risk assessment of environment, society, and corporate management issues related to business operation, and management policy.	In line with the Corporate Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies.												
II. Does the Company establish exclusively (or concurrently) dedicated first-line managers authorized by the Board to be in charge of proposing the corporate social responsibility policies and reporting to the Board?	✓		II. The Company promotes corporate social responsibility by the Finance and Investment Management Office, and regularly reports to the Board of Directors.	In line with the Corporate Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies.												
III. Environmental issues																
(I) (I)Does the Company establish proper environmental management systems based on the characteristics of their industries?	✓		(I) The Company is promoted in accordance with relevant laws and regulations such as labor safety and health and environmental protection and continues to promote the TOSHMS, OHSAS18001 and ISO14001 systems to provide a safe working environment. <table><tr><td>Certified Item</td><td>Acquired Date</td><td>Effective Date</td></tr><tr><td>TOSHMS</td><td>November 28, 2018</td><td>March 11, 2021</td></tr><tr><td>OHSAS18001</td><td>November 28, 2018</td><td>March 11, 2021</td></tr><tr><td>ISO 14001</td><td>November 28, 2018</td><td>November 27, 2021</td></tr></table>	Certified Item	Acquired Date	Effective Date	TOSHMS	November 28, 2018	March 11, 2021	OHSAS18001	November 28, 2018	March 11, 2021	ISO 14001	November 28, 2018	November 27, 2021	In line with the Corporate Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies.
Certified Item	Acquired Date	Effective Date														
TOSHMS	November 28, 2018	March 11, 2021														
OHSAS18001	November 28, 2018	March 11, 2021														
ISO 14001	November 28, 2018	November 27, 2021														
(II) Does the Company endeavor to improve utilized efficiency of each resource, and use recycled materials that have mild impact on environment?	✓		(II) The Company is committed to improving the efficiency of the use of various resources to reduce the amount of raw materials, waste, and reduce environmental damage.	In line with the Corporate Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies.												
(III) Does the Company evaluate the potential risk and chance of climate change posing to the business now and future, and adopt countermeasures of issues related to climate?	✓		(III) The Company has passed the ISO14064 International Greenhouse Gas Inventory certification, and related products to obtain product carbon footprint certification, and based on the operating conditions and greenhouse gas inventory results, established the Company's energy-saving and carbon reduction and greenhouse gas reduction strategies, to reduce the impact of the Company's operating activities on climate change.	In line with the Corporate Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies.												
(IV) Does the Company calculate greenhouse-gas emissions, water consumption, and total weight of wastes in the past two years, and set up the policy of energy conservation and carbon reduction, greenhouse-gas reduction, water consuming reduction, or other waste management?	✓		(IV) The Company has calculated greenhouse-gas emissions, water consumption, and total weight of wastes in the past two years, and set up the policy of energy conservation and carbon reduction, greenhouse-gas reduction, water consuming reduction, or other waste management.	In line with the Corporate Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies.												
IV. Social issues																
(I) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(I) The Company has established working rules and management methods in accordance with labor laws and regulations to protect the legitimate rights and interests of employees, and does not discriminate or discriminate because of: race, class, nationality, religion, age, gender,	In line with the Corporate Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies.												

Evaluation Item	Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary Description (Note 2)	
(II) Does the Company establish employee remuneration policy (including compensation, furlough, and other benefits), and reflect the corporate business performance or achievements in the employee remuneration?	✓		disability, marriage, pregnancy, sexual orientation, and social group preferences. (II) The Company established working regulations, salary management guidelines, and the standard of calculating salary, and staff and workers' Welfare Committee in accordance with labor laws and regulations; implementing employee remuneration policy, and reflect the corporate business performance or achievements in the employee remuneration.	In line with the Corporate Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies.
(III) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		(III) The Company continues to promote the TOSHMS, OHSAS18001 and ISO14001 systems to provide a safe working environment for employees, and regularly conduct health checks for general and special operations, paying attention to the health of employees, and organizing health talks from time to time to increase the concept of employees caring for themselves.	In line with the Corporate Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies.
(IV) Does the Company provide its employees with career development and training sessions?	✓		(IV) The Company has established education training for employees.	In line with the Corporate Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies.
(V) In terms of customer health and safety and customer privacy in marketing or labeling their products and services, does the Company follow related laws and international guidelines, establishing related consumers' rights protected policy and grievance procedure?	✓		(V) The Company conducted costumer's management following related laws and regulations and international guidelines, and provides product grievance procedure to ensure consumers' rights.	In line with the Corporate Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies.
(VI) Has the Company established the supplier management policies requesting suppliers to comply with relevant laws and regulations related to environmental protection, occupational safety and health or labor rights and supervised its implementation?	✓		(VI) The Company requires suppliers follow related regulations of eco-friendly, occupational safety and hygiene, and practiced implementation.	In line with the Corporate Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies.
V. Does the Company refer to internationally-used standards or guidelines for the preparation of reports such as CSR reports to disclose non-financial information? Are the reports certified or assured by a third-party accreditation body?	✓		V. By referring to internationally-used standards or guidelines, the Company has prepared reports such as CSR reports to disclose non-financial information. The report has not been certified or assured by a third-party accreditation body.	In line with the Corporate Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies.
VI. If the Company has established corporate social responsibility best-practice principles based on the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies," describe the implementation and any deviations from such principles: The Company has a "Code of Practice for Corporate Social Responsibility" which is relevant to environmental protection, community participation, social contribution, social services, social welfare, customer rights, human rights, safety and health, etc., can be found on the Company's website; For social responsibility strategies and implementation, please refer to #page 33# of this annual report, for the implementation of social responsibility.				
VII. Other important information to facilitate a better understanding of corporate social responsibility practices: (I) Environmental protection: According to the test conducted by approved Environmental Protection Agency (as per contract of the Company), the substances emitted into the air are volatile organic gases, and the overall emissions are lower than the regulatory standards. According to the test report, detected gas exhaust values are in line with regulatory standards. In the care of the environment and the reduction of environmental impact, the Company comes from my requirements with the most stringent standards. If the regulations set new standards in the future, the Company will adhere to the new regulations. (II) Community service, social contribution and social welfare CMC and the Chairman, Wong, Ming-Sen, have established the CMC Culture Foundation and Taiwan Chi Yuan Culture Foundation for over				

Evaluation Item	Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary Description (Note 2)	
			nearly 2 decades. Taiwan Chi Yuan Culture Foundation aims to aim to enhance Taiwan’s occupational strength of the go, complete the go’s professional system in Taiwan, generally improve go culture level in Taiwan, and provide professional and amateur players in Taiwan with actual experience and exchanged chance in international competitions, and cultivate more brilliant talents of go. In order to let Taiwan professional go formally reach the global stage, and make Taiwanese professional go players have a stand in international go, and further improve Taiwan’s go competence. The Chairman, Wong, Ming-Sen, has been passionate about art and culture in many years, and has taken account of the combination of culture and life, therefore, he established the CMC Culture Foundation. Since the establishment of the cultural foundation, it has conducted culture-establishing works such as strongly promoting artistic cultural life, sponsoring exhibitions and performances of Taiwanese artistic crew, taking account of the conservation of traditional cultures, sponsoring researches of art history essay, and paying close attention to artistic publishing. [Taiwan Chi Yuan Culture Foundation] Founded since 2000, Taiwan Chi Yuan Culture Foundation was donated by, and inaugurated as the Chairman, Wong, Ming-Sen of the CMC Group with an aim to enhance Taiwan’s occupational strength of the go, improve the go’s professional system, and promote the cultural level in the go. Because Go can cultivate people’s thinking and logical reasoning ability; the overall view of human adjustments, and the psychological resistance to setbacks; therefore, the go club also encourages people to get in touch with the Go culture and develop a professional go player system. In order to train professional go players, the go club has specially set up a student training system to allow more outstanding and potential amateur go players to enter the go club for training, and established a professional go player selection and promotion mechanism. In addition to focusing on hosting professional go tournaments domestically, Taiwan Chi Yuan also actively participates in international world tournaments and selects Taiwanese representatives for world tournaments. Four professional competitions were hold in 2020: the Tianyuan Championship, the CMC Gosei Championship, National Championship and the UMC Cup Professional Go Race as well as more than ten international world tournaments and Taiwan Representative Selection. In addition, the Taiwan Chi Yuan also co-organizes several highly iconic world tournaments, the “LG Cup Korean Daily War Chess, “GLOBIS Cup World Go Championship”, “Chunlan Cup World Professional Go Championship”, “Tsingyuan Wu Cup World Female Championship” and “Samsung Fire Cup World Go Masters Tournament”. In summary, Taiwan Chi Yuan provides professional and amateur players in Taiwan with actual experience and exchanged chance in international competitions, and cultivates more brilliant talents of go. In order to let Taiwan professional go formally reach the global stage, and make Taiwanese professional go players have a stand in international go, and further improve Taiwan’s go competence. [CMC Culture Foundation] In 2020, Covid-19 became globally rampant. Internationally renowned art museums were closed one after another, art fairs and auctions were canceled successively, and art performances were postponed, causing an unprecedented blow to the global cultural industry. In cooperation with the government’s anti-pandemic regulations, the CMC Culture Foundation continued to support domestic art performance groups during the pandemic, such as sponsoring the annual winter performance of the NTU Symphony Orchestra, and also recommending and sponsoring outstanding art exhibitions, such as: purchasing the tickets to support the "Edo Elegance - Five Ukiyoe Artists Exhibition" curated by Media Sphere Communications LTD, donating money to sponsor the Paper Windmill Theater Troupe’s 368 Township and Urban Children’s Art Project, Godot Theater, etc., and sharing the difficulties with art groups. As the pandemic eased in October, the CMC Culture Foundation participated for the first time in the "2020 Shilin International Culture and Arts Festival" hosted by the Shilin District Office and the Government of Taipei City. The event was held in the dormitory area of the US army in Shanzihou of the historic Yangming Mountain. The Foundation provided cultural and historical lectures in collaboration with Chinese Culture University, sponsored lunch boxes for all art and cultural performance groups, and assisted the Shilin District Office to plan a two-week US-aid military model exhibition, etc., adding cultural and historical intellectual elements to the garden party, and guiding the participants to understand the unique humanistic texture of Shanzihou. In addition to the promotion and sharing of art and culture, CMC Culture Foundation also plays an important role in charitable events. It purchased all the grapes from Lu Grapes Farm in Puhsin, Changhua for a charity sale, and donated all the profit to Huashan Social Welfare Foundation. It also supports senior meal service of Eden Social Welfare Foundation and Private Pu-man Jen-Ai Home, sponsors Wan-fang Disability Center and its art creation exhibition, and funds Fu-shan Church that extremely lack of resources in building classroom in tribes to preserve aboriginal traditional culture. It hopes to deliver kindness to every corner and contributes. A combination of arts and social charity is a popular culture that CMC values more. It is the best support and encouragement for art creation ability from people with disabilities. The "City Art Gallery - The Whole City Is My Art Gallery” was held by Eden Social Welfare Foundation’s Wan-fang Disability Center and assisted by the Department of Social Welfare, Taipei City Government and funded by CMC Culture Foundation. Through united creation fair, micro-living theatre for the handicapped, and workshop, it helps people with physical and mental disabilities to connect with public, and further encourages the family of the people with disabilities to build up confidence and self-value affirmation that creates special meanings. The foundation has participated in annual presentations from Wan-fang Disability Center in recent years. The center has helped many people who are severely handicapped learn some basic skills in life and art education. Through painting, they get to express many feelings that cannot be described in words and emotions that cannot be controlled. They hold presentations every year for support and affirmation. CMC culture foundation has been participated in three consecutive years and surprisingly found that the control ability and performance of the handicapped people are getting better. Arts can be great therapy and also increases the confidence and courage of the family that creates a positive cycle. The CMC culture foundation strongly believes that arts and culture are inevitable parts of life that enrich and nourish our hearts and souls. The foundation will continue to promote arts and culture, support great artists and performing groups, promote cultural interaction, in hopes that art can elevate the living tastes and brings more positive energy and aesthetics to society.	

Note 1: If "YES" is marked in the operating status, please illustrate the significant policies, strategies, measures, and implement that are adopted; if "NO" is marked in the operating status, please explain reasons and illustrate the plan of related policies, strategies, and measures that will be adopted in the future.

Note 2: The operating status shall be substituted by marking referring to the corporate social responsibility report and pages of the index if the Company has prepared the corporate social responsibility report.

Note 3: The significant principle refers to issues related to environment, society, and business management, bringing significant impacts on investors and shareholders of the Company.

(VI) Ethical Corporate Management

Evaluation Item	Status (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
I. Establishment of ethical corporate management policies and programs				
(I) Has the Company established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the Board of Directors and senior management to rigorous and thorough implementation of such policies?	✓		(I) The Company has established an Ethical Corporate Management Best Practice Principles with reference to the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and has actively implemented its operating policies.	In line with the Ethical Operation Principle for TWSE/TPEX Listed Companies.
(II) Does the Company establish assessment mechanism for risks of unethical behaviors, and regularly analyze and evaluate operating activities having higher risks of unethical behaviors within the operating scope, and thus establish plans preventing unethical behaviors, and at least include preventive measures set out in paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”?	✓		(II) The Company has established “Moral Behaviors Principle”, and analyzed operating activities with higher risks of unethical behaviors within the operating scope, and enhanced related prevention measures.	In line with the Ethical Operation Principle for TWSE/TPEX Listed Companies.
(III) Does the Company clearly state the operating procedure, behavior guidelines, discipline of violation, and grievance procedure in the unethical behavior prevented programs, and practice implementation, and regularly review and amend the preceding program?	✓		(III) The Company’s “Ethical Operation Principle” sets program of preventing unethical behaviors, and states operating procedure, behavior guidelines, and grievance system, and practice implementation.	In line with the Ethical Operation Principle for TWSE/TPEX Listed Companies.
II. Fulfillment of ethical corporate management				
(I) Does the Company evaluate business partners’ ethical records and include ethics-related clauses in the business contracts signed with the counterparties?	✓		(I) The Company will assess the ethical corporate management of business records from vendors or business entities in contact, and require important suppliers to sign a “Letter of Commitment” to indicate the terms against improper interest.	In line with the Ethical Operation Principle for TWSE/TPEX Listed Companies.
(II) Has the Company set up a dedicated unit under the Board of Directors to promote ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct?	✓		(II) The Company appointed the General Accounting and Investment Management Office, to be responsible for establishing policy and supervision of ethical corporate management (presented on January 21, 2021): 1. Each Board of Directors, the stakeholders involved in the Board of Directors are subject to the principle of avoidance of interests. 2. Under the supervision of the Board of Directors, the management personnel’s financial information disclosed to the securities authorities on a quarterly basis is complete, fair, accurate and immediate. 3. The new employee training emphasizes the importance of integrity, and clearly prohibits dishonesty. 4. In 2020, the total number of participants in internal and external education training related to integrity operation is 370 people, and total training hours are 1175 hours. The course contents include product safety, labor safety, corporate governance, and internal	In line with the Ethical Operation Principle for TWSE/TPEX Listed Companies.

Evaluation Item	Status (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
(III) Has the Company established policies to prevent conflicts of interest, provide appropriate communication channels, and implement them accordingly?	✓		control and internal audit, etc. (III) The Company has established a policy to prevent conflicts of interest and providing appropriate representation channels in the “Ethical Corporate Management Best Practice Principles” and “Rules of Procedure for Board of Directors Meetings” and implemented them.	In line with the Ethical Operation Principle for TWSE/TPEx Listed Companies.
(IV) Has the Company established an effective accounting system and internal control system for the implementation of integrity operation, and the internal auditing unit made related audit plan based on the assessment result of the dishonesty risk to check the implementation of the dishonesty prevention plan, or entrusts an accountant to perform the check?	✓		(IV) The Company has established an effective accounting system and internal control system, and the auditors regularly check the compliance of the internal control system.	In line with the Ethical Operation Principle for TWSE/TPEx Listed Companies.
(V) Does the Company regularly hold internal and external education training for ethical corporate management?	✓		(V) The Company holds educational training from time to time, to allow all personnel fully understands the Company's determination, policies, prevention programs and results in violations of dishonesty.	In line with the Ethical Operation Principle for TWSE/TPEx Listed Companies.
III. Operation of the whistle-blowing system				
(I) Does the Company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	✓		(I) If the Company finds that it has violated the ethical corporate management of the business, it may report to the Audit Committee or the auditing unit.	In line with the Ethical Operation Principle for TWSE/TPEx Listed Companies.
(II) Has the Company established the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and related confidentiality mechanisms?	✓		(II) The Company's “Ethical Corporate Management Best Practice Principles” stipulates, identity of the prosecutor and the content of the report are kept confidential.	In line with the Ethical Operation Principle for TWSE/TPEx Listed Companies.
(III) Does the Company provide proper whistleblower protection?	✓		(III) The Company's “Ethical Corporate Management Best Practice Principles” stipulates that if a case is found to be true, it shall be handled in accordance with the law and the relevant penalties of the Company.	In line with the Ethical Operation Principle for TWSE/TPEx Listed Companies.
IV. Enhanced disclosure of ethical corporate management information				
(I) Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company's website and MOPS?	✓		(I) The Company has disclosed the Ethical Operation Principle on the Company's website and promoted the achievements.	In line with the Ethical Operation Principle for TWSE/TPEx Listed Companies.
V. If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation. The Company has established a “Code of Integrity” which is in line with the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies”.				
VI. Other important information to facilitate better understanding of the Company's ethical corporate management (e.g., review of and amendments to ethical corporate management policies) The Company shall, at all times, monitor the development of relevant local and international regulations concerning ethical corporate management and encourage their Directors, managers and employees to make suggestions based on which the adopted ethical corporate management policies and measures taken will be reviewed and improved with a view to achieving better implementation of ethical management.				

Note 1: Reasons for checks of "Yes" or "No" of status should be specified in "Summary Description" column.

(VII) The Company has established a corporate governance code and the methods for query of related regulations:

The Company currently has relevant regulations such as the "Code of Corporate Governance", the "Code of Ethical Conduct" and the "Code of Conduct for Good Faith", and it is posted on the Company's website.

(VIII) Other important information that is sufficient to enhance the understanding on the operation of corporate governance:

1. Major information processing procedures within the Company

The Company currently has relevant regulations such as the "Ethical Code of Conduct" and the "Measures for the Prevention of Internal Transactions", and organizes educational training courses from time to time, highlighting matters that require employee attention.

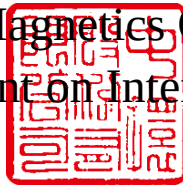
2. Continued studies and training on corporate governance taken by management personnel

Position	Name	Date	Training Institution	Course Name	Training Hours
General Manager	Wong, Ming-Sen	2020.08.06	Taiwan Corporate Governance Association	How Corporates Strengthen Their Strategy Execution	3
General Manager	Wong, Ming-Sen	2020.11.11	Taiwan Corporate Governance Association	Director and Supervisor Responsibility Based on Illegal Cases in Securities Market	3
Executive Deputy General Manager	Yang, Ya-Hsiu	2020.08.06	Taiwan Corporate Governance Association	How Corporates Strengthen Their Strategy Execution	3
Executive Deputy General Manager	Yang, Ya-Hsiu	2020.11.11	Taiwan Corporate Governance Association	Director and Supervisor Responsibility Based on Illegal Cases in Securities Market	3
Accounting Controller	Yang, Pi-Yin	2020.07.30	Taiwan Accounting Research and Development Foundation	Continuing Education Training for Chief Accounting Officers of Issuers, Securities Firms and the Securities Exchange	12
Financial Officer/Corporate Governance Supervisor	Chen, Chun-Wei	2020.02.12	Taiwan Accounting Research and Development Foundation	The Legal Risks of Business Management and the Corresponding Ways of Internal Auditors	6
Financial Officer/Corporate Governance Supervisor	Chen, Chun-Wei	2020.08.06	Taiwan Corporate Governance Association	How Corporates Strengthen Their Strategy Execution	3

(IX) Internal Control System Execution Status

1. Statement of Internal Control System

CMC Magnetics Corporation
Statement on Internal Control



Date: March 25, 2021

Based on the findings of a self-assessment, CMC Magnetics Corporation states the following with regard to its internal control system during the year 2020:

- I. The Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Its purpose is to reasonably ensure that operational effectiveness and efficiency (including income, performance, and asset safety) and reporting are reliable, timely, and transparent, as well as to ensure compliance with relevant regulations and laws.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its 3 stated objectives above. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond control. Nevertheless, the internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
- III. The Company evaluates the design and operating effectiveness of the internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (herein below, the "Regulations"). The criteria adopted by the Regulations identify 5 components of internal control based on the process of management control: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communication; and 5. monitoring operations. Each key component includes several items. Please refer to the Regulations for the aforementioned items.
- IV. The Company has evaluated the design and operating effectiveness of the internal control system according to the Regulations.
- V. Based on the findings of such evaluation, the Company believes that, on December 31, 2020, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations
- VI. This statement is an integral part of the Company's annual report and prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This statement was passed by the Board of Directors in their meeting held on March 25, 2021, with none of the eleven attending Directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

CMC Magnetics Corporation
Chairman: Wong, Ming-Sen
General Manager:



2. If the contract accountant project examines the internal control system, it shall disclose the accountant's review report: not applicable.

(X) For the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, disclose any sanctions imposed in accordance with the law upon the Company or its internal personnel, any sanctions imposed by the Company upon its internal personnel for violations of internal control system provisions, and such sanctions might have significant impact on shareholders' equity or securities prices, the sanction contents, principal deficiencies, and the state of any efforts to make improvements: None.

(XI) Important resolutions of the shareholders' meeting and the Board of Directors in the most recent year and up to the date of publication of the annual report:

1. Important Resolutions of the shareholders' meeting and their implementation status.

Meeting date	Category	Important resolutions and implementation status
June 16, 2020	Shareholders' Meeting	1. Adoption of the 2019 business report and financial statements. Implementation Status: The approval ratio of this vote was 94.29%, therefore the case was passed. 2. Adoption of 2019 Profit Distribution Plan. Implementation Status: The approval ratio of this vote was 94.55%, therefore the case was passed. According to the resolution of the Board of Directors, the record date was July 25, 2020. 3. The Company's cash dividend of capital reserve. Implementation Status: The approval ratio of this vote was 94.56%, therefore the case was passed. According to the resolution of the Board of Directors, the record date was July 25, 2020. 4. Passed the amendment to the "Rules of Procedure for Shareholders' Meetings" of the Company. Implementation Status: The approval ratio of this vote was 94.55%, therefore the case was passed. It has been published on the website of the Company and will be processed in accordance with the revised content. 5. Amendment to the Articles of Association of the Company. Implementation Status: The approval ratio of this vote was 94.55%, therefore the case was passed. On July 2, 2020, the Ministry of Economic Affairs approved the registration and it is announced in the Company's website.

2. Major Resolutions of Board Meetings:

Meeting date	Category	Major Resolutions	Implementation Status
January 16, 2020	Board of Directors	None	
March 4, 2020	Board of Directors	1. Intended to dispose of the shares of Benmeng Photoelectric Co., Ltd. held by the Company.	Implemented according to the resolution.
March 27, 2020	Board of Directors	1. The Company's financial report and business report of 2019. 2. The Company's appropriation of earnings of 2019. 3. The Company's cash dividend of capital reserve. 4. The distribution of the employees' and Directors' remuneration of 2019. 5. Asset impairment status report of 2019. 6. The suitability and independence evaluation and appointment of the Company's Certified Accountant. 7. 2019 annual statement of internal control system. 8. Amendment of the "Audit Committee procedure". 9. Passed the amendment to the "Rules of Procedure for Shareholders' Meetings" of the Company. 10. Amendment of the Articles of Incorporation of the Company. 11. Matters related to the Company's General shareholders meeting in 2020.	Implemented according to the resolution. Implemented according to the resolution. Implemented according to the resolution. Implemented according to the resolution. Implemented according to the resolution. Implemented according to the resolution. Implemented according to the resolution. Implemented according to the resolution. Implemented according to the resolution. Implemented according to the resolution.
May 14, 2020	Board of Directors	None	
June 16, 2020	Board of Directors	1. Intended to formulate the record date of earnings, capital reserve and cash dividends.	Implemented according to the resolution.

Meeting date	Category	Major Resolutions	Implementation Status
August 13, 2020	Board of Directors	1. The Company intended to sell the land and buildings in Guishan District, Taoyuan City. 2. If the accounts receivable, other receivables, prepayments, and refundable deposits of the Company exceed the normal credit line or the transaction period for more than three months and the amount is significant, it needs to evaluate whether to transfer the capital loans. 3. The Company's Distribution of Director Remuneration for 2019.	Implemented according to the resolution. Implemented according to the resolution. Implemented according to the resolution
November 12, 2020	Board of Directors	1. Proposal to adopt the Company's 2021 audit plan. 2. Amended the Company's "Internal Audit System", "Accounting Professional Judgment Procedure, Accounting Policy and Estimation Change Process", "Management of Applicable International Financial Reporting Standards" and "Accounting System". 3. Proposed amendments to the Company's Operational Procedures for Financial Statements Preparation Process. 4. If, as of September 30, 2020, the Company experiences the accounts receivable with a significant amount that have not been recovered 3 months after the normal credit period, and the payment has not been recovered after more than 3 months (such as other receivables, prepayments, deposits and deposits) because the amount is significant or the nature of the payment is not contractual, the payment amount is not related to the contract, the performance obligations in the contract are not met or the reason for payment disappears, it needs to evaluate whether to transfer the capital loans. 5. Amendment of the Company's "Audit Committee Procedure". 6. Amendment of the Company's "Rules of Procedure for Board of Directors Meetings", "Rules for the Responsibilities of Independent Directors" and "Board Assessment Management Method".	Implemented according to the resolution. Implemented according to the resolution. Implemented according to the resolution. Implemented according to the resolution. Implemented according to the resolution. Implemented according to the resolution.
January 21, 2021	Board of	None	

Meeting date	Category	Major Resolutions	Implementation Status
	Directors		
March 25, 2021	Board of Directors	1. The Company's financial report and business report of 2020.	Implemented according to the resolution.
		2. The Company's appropriation of earnings of 2020.	Implemented according to the resolution.
		3. The Company's cash dividend of capital reserve.	Implemented according to the resolution.
		4. Change to the Certified Accountant of PricewaterhouseCoopers, Taiwan.	Implemented according to the resolution.
		5. The suitability and independence evaluation and appointment of the Company's Certified Accountant.	Implemented according to the resolution.
		6. The Company's account receivables transferred to capital loans as of December 31, 2020.	Implemented according to the resolution.
		7. 2020 annual statement of internal control system.	Implemented according to the resolution.
		8. Amendment to the Procedures for Acquisition and Disposal of Assets of the Company	Implemented according to the resolution
		9. The distribution of the employees' and Directors' remuneration of 2020	Implemented according to the resolution.
		10. Amendment to the Rules for Election of Directors of the Company	Implemented according to the resolution.
		11. Reelection of Directors.	Implemented according to the resolution.

Meeting date	Category	Major Resolutions	Implementation Status
		12. Nomination and consideration of Candidates for Directors (including Independent Directors). 13. Proposal to release the newly elected Directors of the Fifteenth Board of Directors of the Company and their Representatives from non-competition restrictions. 14. Matters related to the Company's General shareholders meeting in 2021.	Implemented according to the resolution. Implemented according to the resolution. Implemented according to the resolution.

(XII) In the most recent year and the date of publication of the annual report, the Director or Supervisor has different opinions on the important resolutions passed by the Board of Directors and has a record or written statement. The main content: none

(XIII) Summary of the resignation of the Company's Chairman, General Manager, accounting supervisor, financial supervisor, internal audit supervisor and R&D supervisor in the most recent year and the end of the annual report: none

V. Information on CPA Professional Fees

(I) Table of tiers in CPA Professional Fee

Name of CPA Firm	Name of CPA	Audit Period	Note
PricewaterhouseCoopers, Taiwan	Yu, Shu-Fen/ Chang, Shu-Chiung	2020	None

Note: If there has been a change of certified public accountants or independent public accounting firm during the current fiscal year, the Company shall disclose the information regarding the audit period covered by the predecessor auditor and successor auditor as well as the reasons for change of auditors in the commentary column.

Unit: NT\$ 1,000

Range \ Category of Fees		Audit Fees	Non-audit Fees	Total
1	Less than NT\$2,000,000		✓	
2	NT\$2,000,000 (inclusive)~NT\$4,000,000			
3	NT\$4,000,000 (inclusive)~NT\$6,000,000			
4	NT\$6,000,000 (inclusive)~NT\$8,000,000	✓		✓
5	NT\$8,000,000 (inclusive)~NT\$10,000,000			
6	More than NT\$10,000,000 (inclusive)			

1. The non-audit fee paid to certified CPA, certified Office of CPA and affiliated companies accounts for over one-fourth to audit fee:

Unit: NT\$ 1,000

Name of CPA Firm	Name of CPA	Audit Fees	Non-audit Fees					Audit Period	Note
			System Design	Company Registration	Human Resources	Others (Note)	Subtotal		
PricewaterhouseCoopers, Taiwan	Yu, Shu-Fen	6,900	0	0	0	550	550	2020	Note: Mainly for the transfer of fixed price test fees and the direct deduction of business tax from legal visa fees, etc.
	Chang, Shu-Chiung								

2. The CPA Firm is altered and the audit fee in altering year is less than that in the previous year, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: None
3. The audit fee is reduced by over 10% compared with the previous year, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: None

(II) The audit fee referred to in the previous note refers to the fee paid by the Company to the CPA for the purpose of examining and reviewing financial reports, forecast, and tax payment.

VI. Information on Replacement of the CPA

None.

VII. Information on Service of the Company's Chairman, General Manager, Financial or Accounting Management Personnel at the Accounting Firm or Its Affiliates Shall be Disclosed

None.

VIII. Any Transfer of Equity Interests and/or Pledge of or Change in Equity Interests by a Director, Supervisor, and Management Personnel with a Stake of More Than 10% During the Most Recent Fiscal Year and up to the Date of Publication of This Annual Report

Unit: Share

Position	Name	2020		As of April 20, 2021	
		Shareholding Increase (Decrease)	Pledged Shares Increase (Decrease)	Shareholding Increase (Decrease)	Pledged Shares Increase (Decrease)
Chairman	Wong, Ming-Sen	2,210,000	0	0	10,000,000
Director	Yang, Ya-Hsiu	400,000	0	100,000	0
Director	Kuo, Junne-Huey	0	0	0	0
Director	Tseng, Yi-An	0	0	0	0
Director	Tsai, Tsung-Han	0	0	0	0
Director	Tsai Wong, Ya-Li	0	0	0	0
Director	Yeh, Min-Cheng	0	0	0	0
Director	Chen, Hsien-Tai	(50,000)	0	(10,000)	0
Independent Director	Wu, Cheng-Hsiu	0	0	0	0
Independent Director	Shiau, Fung-Shyung	0	0	0	0
Independent Director	Lee, Ming-Yen	0	0	0	0
Senior Deputy General Manager	Yang, Li-Jung	0	0	0	0
Deputy General Manager	Huang, Ying-Yen	0	0	0	0
Deputy General Manager	Sekiyama Takayuki	0	0	0	0
Accounting Controller	Yang, Pi-Yin	0	0	0	0
Chief Financial Officer	Chen, Chun-Wei	0	0	0	0

Note: The counterparties of the equity pledge are related, then the party should fill in the information on the equity pledge: None

IX. Information of Relationship if among the Company's Top 10 Largest Shareholders Who Are Related, as Spouse, or within the Second Degree of Kinship of Another

April 20, 2021

NAME (NOTE 1)	CURRENT SHAREHOLDING		SPOUSE & MINOR SHAREHOLDING		TOTAL SHAREHOLDING BY NOMINEES		THE DESIGNATION, NAME OR RELATION OF THE COMPANY'S TOP 10 LARGEST SHAREHOLDERS WHO ARE RELATED, AS SPOUSE, OR WITHIN THE SECOND DEGREE OF KINSHIP OF ANOTHER. (NOTE 3)		NOTE
	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership	Designation (Name)	Relationship	
Wong,Ming-Sen	91,978,038	7.94%	Spouse 29,566,296	2.55%	None	None	Yang, Li-Jung	Spouse	
Yang,Li-Jung	29,566,296	2.55%	Spouse 91,978,038	7.94%	None	None	Wong, Ming-Sen	Spouse	
Concord International Securities Co., Ltd.	29,342,083	2.53%	None	None	None	None	None	None	
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund	14,093,950	1.22%	None	None	None	None	None	None	
JPMorgan Chase Bank N.A. Escrow Advanced Starlight Advanced Aggregate International Share Index	12,366,610	1.07%	None	None	None	None	None	None	
Standard Chartered is entrusted to hold iShares MSCI Emerging Markets ETF	11,099,640	0.96%	None	None	None	None	None	None	
Investment special account with Citi bank entrusted with the investment account of Norges Bank	9,990,922	0.86%	None	None	None	None	None	None	
Yang, Ya-Hsiu	9,612,762	0.83%	None	None	None	None	None	None	
Citi (Taiwan) Commercial Bank was entrusted for custodial DFA investment in Diversified Group	8,037,944	0.69%	None	None	None	None	None	None	
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index II Fund	7,185,000	0.62%	None	None	None	None	None	None	

Note 1:The top ten shareholders' names shall be identified separately (in the case of corporate shareholders, the corporate shareholders' names and representatives' names shall be identified separately).

Note 2:The ratio of shareholding is calculated in terms of own shareholdings, shares held by spouse & children under age or shareholdings under the title of a third party.

Note 3:Relationship between the aforementioned shareholders (including juristic and natural persons) shall be disclosed according to Regulations Governing the Preparation of Financial Reports by Securities Issuers.

X. The Total Number of Shares and Total Equity Stake Held in Any Single Enterprise by the Company, Its Directors and Supervisors, Managers, and Any Companies Controlled either Directly or Indirectly by the Company

Unit: Thousand Shares

December 31, 2020

Investee business (Note 1)	Ownership by the Company		Investment by Directors/Supervisor/Managerial Officers and Companies Directly or Indirectly Controlled by the Company		Total Ownership	
	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership
SUN WELL SOLAR CORPORATION	154,991	98.82%	723	0.47%	155,714	99.29%
Transtouch Technology Inc.	15,353	52.60%	99	0.34%	15,452	52.94%
DELTAMAC (TAIWAN) Co., Ltd.	14,892	38.91%	7,128	18.62%	22,020	57.53%
Asia 1 Entertainment Co., Ltd.	11,869	93.59%	372	2.94%	12,240	96.53%
SUN Q CORPORATION LIMITED	64,052	58.20%	7,544	6.85%	71,596	65.05%
CIA Holding Corporation	29,688	86.35%	4,692	13.65%	34,380	100.00%

Note 1: The investment of the Company under equity method

Chapter 4 Capital Raising Activities

I. Capital and Shares

(I) Source of Capital

Unit: Thousand Shares; NT\$ 1,000

Year/Month	Par Value	Authorized Capital		Paid-in Capital		Note		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Capital Increase by Assets Other than Cash	Others
2019.04	10	4,500,000	45,000,000	1,726,016	17,260,163	Note 1	None	None
2019.08	10	4,500,000	45,000,000	1,158,881	11,588,812	Note 2	None	None

Note 1: 48,110,000 shares were withdrawn from the Treasury Shares (approved by the Ministry of Economic Affairs, April 11, 2019, Document No. 10801033420).

Note 2: 567,135,167 shares were decreased for covering losses (approved by the Ministry of Economic Affairs, August 12, 2019, Document No. 10801107180)

Share Type	Authorized Capital			Note
	Issued Shares (Note)	Unissued Shares	Total	
Common stock	1,158,881 thousands shares	3,341,119 thousands shares	4,500,000 thousands shares	Note:

Note: This Stock is the stock of a TWSE listed company, and can be traded without restriction.

General information about the reporting system: None.

(II) Status of Shareholders

April 20, 2021

Structure Number/ Amount	Government Agencies	Financial Institutions	Other Institutional Shareholders	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
Number of shareholders	0	1	212	142,467	166	142,846
Shareholding (shares)	0	2,199	38,255,811	991,483,170	129,140,020	1,158,881,200
Shareholding Ratio (%)	0.00%	0.00%	3.30%	85.55%	11.15%	100%

Note: The source of data is the number of shares held by the Company as provided by the centralized custody clearing house (stock) on the day of the suspension.

(III) Distribution of Shares

April 20, 2021

Class of Shareholding	Number of shareholders	Shareholding (shares)	Shareholding Ratio (%)
1~999	63,185	17,945,226	1.55
1,000~5,000	53,147	119,970,643	10.35
5,001~10,000	13,497	98,640,394	8.51
10,001~15,000	4,377	53,681,728	4.63
15,001~20,000	2,380	43,358,884	3.74
20,001~30,000	2,251	56,288,341	4.86
30,001~40,000	972	34,240,016	2.95
40,001~50,000	713	33,117,594	2.86
50,001~100,000	1,304	92,396,548	7.97
100,001~200,000	556	78,822,949	6.80
200,001~400,000	252	70,187,225	6.06
400,001~600,000	77	37,834,035	3.26
600,001~800,000	41	28,430,674	2.45
800,001~1,000,000	16	14,625,474	1.26
Over 1,000,001	78	379,341,469	32.75
Total	142,846	1,158,881,200	100.00

Note: All common shares. The Company does not release preferred share.

(IV) Major Shareholders

April 20, 2021

Shareholding Name of Major Shareholders	Shareholding (shares)	Shareholding Ratio (%)
Wong, Ming-Sen	91,978,038	7.94%
Yang, Li-Jung	29,566,296	2.55%
Concord International Securities Co., Ltd.	29,342,083	2.53%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund	14,093,950	1.22%
JPMorgan Chase Bank N.A. Escrow Advanced Starlight Advanced Aggregate International Share Index	12,366,610	1.07%
Standard Chartered is entrusted to hold iShares MSCI Emerging Markets ETF	11,099,640	0.96%
Investment special account with Citi bank entrusted with the investment account of Norges Bank	9,990,922	0.86%
Yang, Ya-Hsiu	9,612,762	0.83%
Citi (Taiwan) Commercial Bank was entrusted for custodial DFA investment in Diversified Group	8,037,944	0.69%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index II Fund	7,185,000	0.62%

(V) Share prices for the past two fiscal years, with company net worth per share, earnings per share, dividends per share, and related information

Item \ Year		2019	2020	Current Year, up to April 20, 2021 (Note 8)	
Market Price per share (Note 1)	Highest	12.35	10.20	12.20	
	Lowest	6.17	5.90	8.03	
	Average	8.04	8.00	9.02	
Net Worth per share (Note 2)	Before distribution	16.59	16.37	-	
	After distribution	16.39	16.37	-	
Earnings per Share	Weighted Average Shares (thousand shares)	1,158,811	1,158,811	-	
	Earnings per share (Note 3)	0.2	0.1	-	
Dividends Per Share	Cash dividends		0.20	0.70	-
	Stock dividends	Stock dividends appropriated from earnings	0	0	-
		Stock dividends appropriated from capital surplus	0	0	-
	Accrued Unpaid Dividends (Note 4)		0	0	-
Return on Investment	P/E Ratio (Note 5)		40.2	80	-
	Price/Dividend Ratio (Note 6)		40.2	11.43	-
	Cash Dividend Yield (Note 7)		2.49%	8.75%	-

* In the case of retained shares distribution or capital surplus shares distribution, please also disclose the information about the market value and cash dividend adjusted retroactively based on the quantity of shares as distributed.

Note 1: Please identify the highest market value and the lowest market value of the common stock in various years, and calculate the average market price for each year based on the trading value and turnover for each year.

Note 2: Please apply the quantity of shares already issued at the end of the year and identify the status of distribution according to the resolution made by the shareholders' meeting held in the following year.

Note 3: If it is necessary to make adjustment retroactively due to Free-Gratis dividends, please identify the EPS before and after adjustment.

Note 4: If the terms and conditions under which the equity securities are issued provide that the stock dividend retained in the year may be accumulated until the year in which there are allocable earnings available, please disclose the retained stock dividend accumulated until the then year.

Note 5: Price-Earnings Ratio=Average Closing Price Per Share in current year/Earnings Per Share

Note 6: Dividend Yield=Average Closing Price Per Share in current year/Cash Dividend Per Share

Note 7: Cash Dividend Yields=Cash Dividend Per Share/Average Closing Price Per Share in current year

Note 8: Please identify the net value per share and EPS available in the latest quarterly financial information audited (reviewed) by the independent auditor before the date of publication of the annual report, and the information available until the date of publication of the annual report in the other sections.

(VI) Dividend Policy and Its Implementation

1. Dividends Policy in the Company's Articles of Incorporation

The earnings of the Company in the annual final accounts, if any, shall be first appropriated to pay taxes and offset accumulated losses before allocating 10% of the remaining earning to the legal reserve (not applicable where accumulated legal reserve has reached the amount required by law and regulations) and a special reserve pursuant to the applicable law and regulations. Any retained earnings available for distribution together with accumulated undistributed retained earnings may be proposed by the Board of Directors to appropriate and be resolved at the shareholders meeting. The Company's dividend policy is based on the consideration of the needs of capital expenditures and in line with the Company's long-term financial planning. The total dividend is not less than 10% of the distributable surplus for the current year, provided that no allocation shall be made if the distributable surplus is less than 1% of the paid-in capital. When the dividend is distributed, cash dividend shall be no less than 10% of the total dividend.

2. The proposed dividend distribution of the shareholders' meeting: The Board of Directors planned the surplus distribution and allotted cash dividend of NT\$0.7 per share in capital reserve on Mar 25, 2021. It will propose for approval in the shareholders' meeting on Jun 18, 2021.

3. Expected significant changes in the dividend policy: none.

(VII) Effect on the Operating Performance and Earnings per Share of Distribution of Stock Dividends Proposed or Adopted in the Most Recent Shareholders' Meeting: N/A.

(VIII) Remuneration of Employees and Directors

1. In accordance with Article 27 of the Articles of Association, if the Company is profitable in the year, it shall be paid at least 1% for the employee's remuneration and not more than 1.5% for the Director's remuneration. But if the Company still has an accumulated deficiency, the amount to cover should be retained in advance. The object of employee compensation in the preceding paragraph includes employees of domestic and foreign subsidiaries; the aforementioned "subsidiary" refers to the compliance with the International Financial Accounting Standards Bulletin No. 27, directly or indirectly holding more than half of the Company's body for ordinary shares.

2. In the current period, the estimated basis of the compensation for employees and Directors, the calculation basis for the number of shares paid by the employees of the stock, and the actual distribution amount are calculated when there is a difference between the estimated number of shares: The Board of Directors passed the resolution on March 25, 2021 of allocation of remuneration payable of 2020 to employees and Directors shall be entered based on the estimated annual profit. If there is a difference between the estimated amount and actual allocation amount, it will be treated as changes in Accounting estimates and adjusted in the year of allocation.

3. The Board of Directors passed the distribution of compensation: The Board of Directors passed the resolution on March 25, 2021 of allocation of remuneration payable of 2020 is NT\$3,000 thousand for employees and NT\$2,200 thousand for Directors.

4. The actual distribution of employees and Directors' compensation in the previous year (including the number of shares, amount and stock price), and the difference between the recognition of employees and Directors' compensation shall be stated, the reason and status: In year 2019, remuneration for employees and Directors was not disbursed.

(IX) Status of share repurchases:

None.

- II. Corporate Bonds
None.
- III. Preferred Shares
None.
- IV. Status of Global Depositary Receipts (GDR)
None.
- V. Status of Employee Stock Warrants
None.
- VI. Status of New Restricted Employee Shares
None.
- VII. Status of New Shares Issuance in Connection with Mergers and Acquisitions
None.
- VIII. The Status of Implementation for Capital Allocation Plans
None.

Chapter 5 Operational Overview

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I. Business Operation

(I) Scope of Business

1. The business of the Company is mainly based on optoelectronics and peripheral products.
2. Business operation mix:

Item	Percentage accounted for operation revenue in year 2019	Percentage accounted for operation revenue in year 2020
Photoelectric and peripheral products	78.10%	91.77%
Others	21.90%	8.23%

3. Currently, primary business operation, products produced and sold are as follows:

- Photoelectronic products manufacturing and trading
- Manufacture and sale of various packaging boxes

4. Future projects development:

(1) high-end optical discs

- a. Develop the mass production of high-level archival disc
- b. Develop high-level double-sided discs of 300GB and 500GB and with higher storage capacity
- c. Develop system and discs specified for the big data and B-to-B markets
- d. Develop holographic discs with high storage capacity of over 1.5TB

(2) Engraving development: developing high-capacity and professional optical disc master process

(3) Special surface treatment of disc: super hard surface, laser sensitivity, image surface

(4) Development of high-capacity disc process equipment

(II) Industry overview

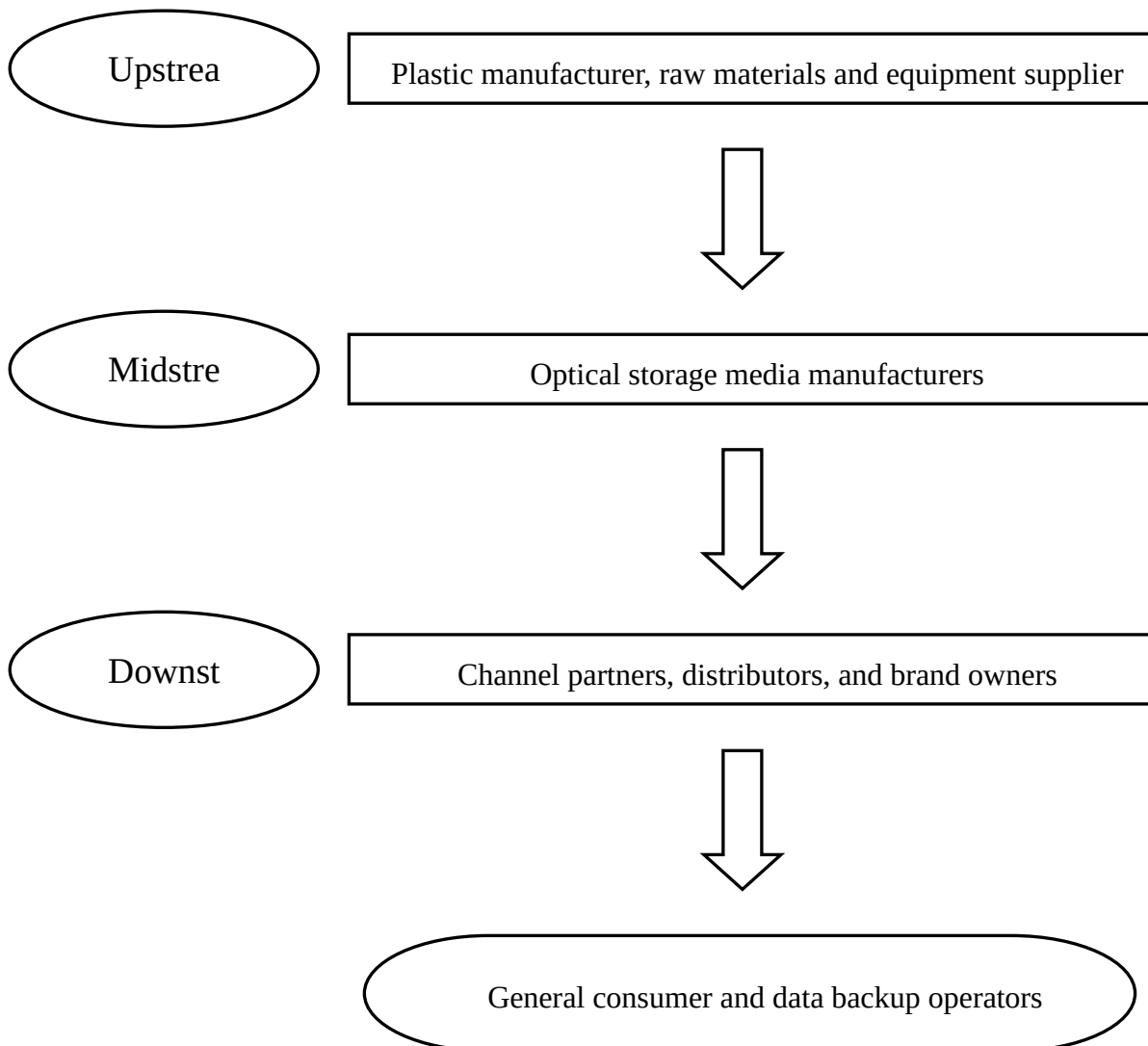
1. Current status and development of industry, development trend and competition of products:

As the price of polycarbonate, the main raw material for optical discs, in the international market has risen sharply in the past six months, the competitors in the mainland are forced to reduce their production lines or even close their factories due to the inability of the terminal prices of CD-R and DVD-R products to reflect their costs, and small optical disc factories are also confronted with severe cost pressures. However, the Verbatim brand and years of sales channels established by subsidiaries of the Company in the United States, Europe, Japan, Asia Pacific and other regions have not only maintained stable sales during the pandemic in the past year, but also takes advantage of the opportunity of competitors withdrawal from the market. The current global market share has exceeded 50%, and it is expected to increase year by year. Although the cost of raw materials has increased, Verbatim optical disc products have

occupied a high brand market share in major markets around the world due to the continued Mitstubishi production technology, and are more able to reflect production costs and stabilize sales and profit than other optical disc peers. Furthermore, the era of digital television and high-resolution 4K/8K programs have officially arrived. Blu-ray discs have become one of the mainstream of home audio-visual entertainment. In particular, NHK in Japan began broadcasting 8K satellite channel programs in December 2018, with the resolution increasing to 7680X4320 pixels, 16 times that of FULL HD. Consumers in the Japanese market have always had the habit of backup of TV programs. Once the resolution increases, the capacity demand for storage media will also double, and driven by the popularization of peripheral software and hardware applications, it is expected that high-end optical disc products will become the most popular optical storage products.

Data tsunami is coming, and 80% of the enterprise information by digital documents, multimedia files, and other forms of unstructured content, information is becoming the fastest growing types, the next five years 70% of the world's data center need to be changed, it's difficult to satisfy the next generation of high density on the one hand, the original room server and storage device and cooling energy demand. Moreover, due to the COVID-19 pandemic, enterprise operations and business activities are rapidly changing. At this stage, business travel is temporarily suspended, and replaced with online video conferencing. Work from home has accelerated the arrival of the trend of remote management and process automation, thus doubling the demand for storage capacity. In order to accelerate the computing speed and transmission of data, the hybrid cloud architecture that combines public cloud and private cloud resources is conducive to the development of regional data center systems. High-capacity archive disc system cabinets can be flexibly connected to regional data center systems in series, and is featured by low energy consumption, long storage time and high data security. In particular, regardless of NAND FLASH, HDD or TAPE, there is a risk of data loss. The high-capacity archive discs of CMC have passed the certification from TÜV Rheinland Group, and the data storage time is more than fifty years. They have the same level as the discs produced by Japanese optical disc factories, and are ahead of other optical discs in the industry. They can provide regional data centers with optical storage media with stable quality and high data security.

2.The relevance between upstream, midstream, and downstream of the industry



(III) Research and Development Achievements and Plans

1. R&D Department Organization

Organization Unit	Responsibilities and Functions
CMC Media Institute of Technology (CMCMIT)	CMC Media Institute of Technology (CMCMIT) is the creative and strategic center of CMC. During the operating, the elite of each department of CMC would be gathered: such as the R&D engineers, intellectual property team, and strategic marketing professionals to brainstorm and deep dive into discussion, and careful evaluation. Product development schedule is planned based on thorough planning and put into action. The key objective is to improve the competitiveness of the Company and achieve the concept of sustainable management. The current pioneering research plan includes: 1. Forwardly oversee the technical development of optical storage media product. 2. Technical development of B2B professional optical disc. 3. Product development and promotion of a total solution from custom disk drive to disc.
One-time recording process group	4x/6x SL high-end disc process yield and capacity increase. Development of high-end disc organic and inorganic materials. 6x DL high-end disc process yield and capacity increase. 4x TL high-end disc process and material development. A study on the compatibility of a one-time burn-in disc and a disc player. Analysis of recording materials and related papers in a one-time burn-in disc. Patent applications and international journal paper submissions.
Rewritable disc process group	High-end 2x SL disc process yield and capacity increase. High-end 2x DL disc process yield and capacity increase. CD, DVD rewritable optical disc and disc player compatibility research. Research on the compatibility of rewritable discs and disc players. Reproducible recording material analysis and related paper research. Patent applications and international journal paper submissions.
Dye Development Team	Treatment of dyes and various chemical solvents in the plant for recycling, in order to save costs and implement the concept of environmental protection and corporate social responsibility. Deepen the research strength of chemical synthesis, further development of next-generation optical storage materials: Research and develop dyes for high-capacity optical disc wavelengths.
Mastering Study Group	Develop high-capacity mastering such as blue single-layer and multi-layer storage discs, and research the development of new generation materials to achieve the best balance between cost, performance and quality.
Prospective Technical Research Group	Set-up and research of advanced optical storage systems. Development and research of optical discs for testing.

2. R&D Strategy

The R&D center of CMC facilitates innovative technical knowledge, extends the research scope and application, shortens the product development schedule, and stimulates knowledge growth and development. CMC focuses on material development, quality improvement, eco-friendly execution, elevates the production yield rate, and R&D production efficiency. With respect to business management, CMC values cost-effective control, streamlined organization structure, and creative production process to reach the creation, circulation, and added value of industrial technology to improve the industry growth.

CMC is a member of the BDA, DVD Forum, DVD+RW Alliance, RDVDC, RWPPI, OSTA, TRIA, ASOAR, CDs21 Solutions, and many other global organizations., CMC also applies to be a member of the AACLS LA to promote the application of copy-protection technology. Given the close cooperation and vertical integration among domestic upstream and downstream suppliers (e.g. Hardware, material, system, and chip-design suppliers), CMC participates in various product innovation, exchanges experiences and technical know-how to enhance overall R&D quality; all of these helps create a win-win situation for the industry's growth and development.

The R&D development center actively participates in the global organizations and research associations to gain the latest product development information, specification development technology, and exchanges experiences, resources, as well as creative ideas with foreign companies. CMC partners with government institutions to joint-develop new product research and development; expands the cooperation with academic institutions to launch industry-school collaboration, works on resource integration and diverse advanced key technology. Through technology transfer, research collaboration, and strategic alliance, CMC provides tech support to shorten the domestic product development schedule, raises the key added value, and lowers the development cost to stimulate the industry's development and global market expansion.

In addition to focusing on storage media and combining abundant reinvestment resources, CMC has been actively developing diversified businesses related to key components, entertainment, food & beverage, and channel business in recent years. CMC hopes to fully allocate the capabilities of the Company, and combines with professional expertise from various fields to achieve a peak for the business.

3. Future R&D Plans

The Company will continue the development of new storage and recording media and dominate the trend of the new era recording media products in the industry. In the future, it is expected to carry out the development of 300GB, 500GB and higher capacity double-sided multilayer optical disc products. In the field of archive disc products, in addition to the original archival products, the Company will also launch M-Disc's 50G and 100G high-capacity products with long shelf life to increase the product layout in niche markets. The Company's research and development center will also develop new products with potential value in the use of the storage industry expertise, such as the development of Biotech related technologies.

4. Performance and Achievements

(1) Performance

2020

In addition to the continuous effort in the market of B2B professional optical disc products, also for the high capacity of 8K

CMC has also started the mass production of high-end BD-R TL 100GB to accommodate the high capacity audiovisual demand. In terms of the high-end data backup market, CMC sells BD-R TL double side 200GB products and plans the mass production and improvement of 200GB and development of 300GB and 500GB in 2021 to increase the ratio of high gross margin products.

(2) Achievements

Awarded Items	Achievements
● Obtained international certification for: BD-R SL 2X/4X/6X ● Obtained international certification for: BD-RE SL 2X ● Obtained international certification for: BD-R DL 6X ● Obtained German TUV certification laboratory durability certification: BD-R SL 6X/BD-RE SL 2X/BD-R DL 6X ● Obtained international certification for: BD-R TL 4X100G	● The Company inherited its own disc manufacturing technology, developed BD-R TL 100G Blu-ray products, and passed the international A-level laboratory certification, which was recognized by customers. ● The Company has obtained ISO16963 international certification for DVD file-level optical discs. ● Besides Japan, BD-R SL 6x/BD-R DL 6x/BD-RE SL 2x made the Company as the first optical disc manufacturer to pass the durability certification of the German TUV certification laboratory. The Company mainly develops for entities with large and long-term data preservation demands, such as hospitals, libraries, cloud data centers, military units, etc.

(3) R&D Expenses spent in the most recent year and up to the publishing date of this annual report:

Unit: NT\$1,000

Year	2019	2020	Current Year, up to April 20, 2021
Descriptions			
R&D Investment Amount	\$399,583	\$296,480	\$82,222
% of the total operating income	5.67%	3.15%	3.73%

(IV) Long- and Short-Term Business Development Plans

1. Short-term sales strategy

In the consumer disc market in Europe, America, Japan, and Asia, besides received HP, Philips and other internationally known brands' authorization, CMC also acquired the brand Verbatim in 2020. With the multiple effect of the various international brands, many small manufacturers were forced to exit market because of sharp increase in price of raw materials. By taking advantage of the brand force of Verbatim in major markets

and the OEM channels built up over long-term operation from the past, it will further expand the market share. In Addition, the Company has an exclusive disc technology and ink formula authorized from Japan Taiyo Yuden in the professional market. Its production line CMC Pro has been used for backup saving in government agencies, schools, libraries, and medical units in Europe and America. It is also the best choice of customized discs for video and audio studios. Not only is the market demand stable and high unit price, but it is also the cornerstone for CMC's leadership in the disc industry technology and continuous growth in market share.

2. Long-term sales strategy

With acquisition of the brand Verbatim in 2020, not only does it open up the business channels to Europe, America, Japan, and Asia regions, but also expanded the product from disc to USB flash drive, Micro SD memory card, SSD solid-state drive, and consumer electronic parts. The sales team will integrate channels in every regions and expand the production line, and transform from a disc manufacturer to a business brand and distributor of storage media.

In response to 5G technology, mature layout of equipment, the increasing demand of data and cloud storage, the Company's 100G and 200G discs are the best storage media for cold data backup because of the benefits of long-term storage and low energy consumption. Currently, it has actively worked with domestic and international data equipment vendors to supply the data backup demands in government agencies, small and medium size corporations, and large data centers.

II. Market and Production/Sales Overview

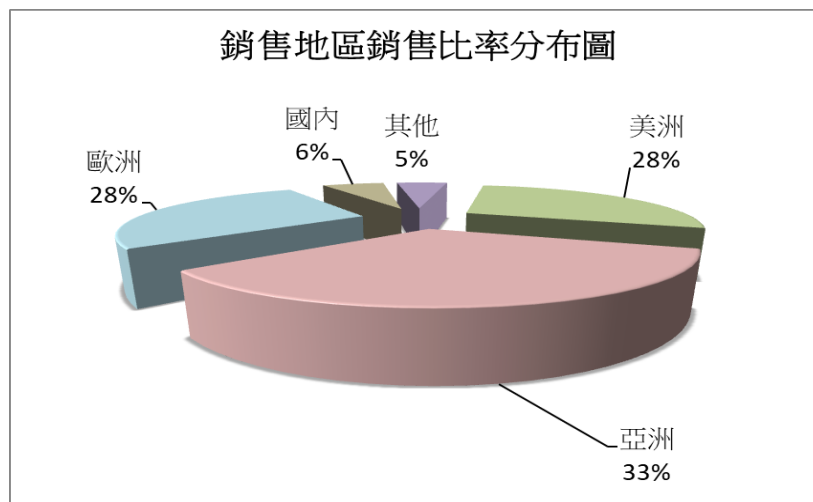
(I) Market Analysis

1. Sales region of primary products

The main revenue source of the Company is the proportion of revenues from the production and sales of optical discs and peripheral products.

Area of sales listed as per below:

Sales Territory	America	Asia	Europe	Domestic	Others
Percentage of Sales	28%	33%	28%	6%	5%



2. Market Share

The Company continues to invest and focus on long-term basis, for the development of storage media products, production technology and stable quality to maintain the leading position in the industry. The Company's quality service and R&D team are deeply favored by international storage media manufacturers. In the past few years, it has been committed to the development of market-oriented and forward-looking high-performance storage media products, and through TUV Rheinland certification, has become a professional storage media manufacturer recognized by the world's largest manufacturers.

3. Future supply and demand circumstance and potential growth of the main products

The next-generation game consoles were launched by game machine manufacturers in 2020. For example, SONY PS5 and Microsoft XBOX SERIES X, support 4K UHD Blu-ray players and the demand for Blu-ray discs is still expected to increase in the future. In addition, the current 4K TV has been promoted to the mainstream of the market. Japan's NHK began broadcasting 8K satellite channel programs in December 2018, with the resolution increasing to 7680X4320 pixels, 16 times that of FULL HD. Consumers in the Japanese market have always had the habit of backup of audio and video programs. As 8K audio and video programs become more popular and drive the demand for Blu-ray discs, CMC continues to develop high-end storage products. Its production technology has been certified and affirmed by major international manufacturers, making it the first choice for ultra-high-definition generation audio and video backup.

4. Beneficial factors for competitive niche and development prospects

(1) Successfully mastered mainstream products and obtained leadership position

The Company understands that the development of magnetic storage media has been limited by the maturity of the market, so it has long been actively working with international companies to achieve leading disc manufacturing technology. Along the way, the Company has always been committed to becoming the best storage media manufacturer, and actively establish strategic alliances with major international companies in Europe and the United States to launch high-capacity storage media BD ARCHIVE to obtain leader position of the market.

(2) Excellent R&D team and material development & production quality

Since its inception in 1978, the Company has been committed to the research and development of storage media. In this specialty, it has accumulated many years of production know-how technology, and is more active in the next generation of new products, high-definition, high-capacity storage products, while constantly committed to management and product quality improvements. In addition to recruiting senior technicians from the Academia Sinica and the Industrial Research Institute and hiring domestic and foreign technical consultants to conduct research and development, and through the Japanese technology transfer contract to obtain the production technology of related products, and with foreign famous manufacturers such as Mitsubishi Chemical Corporation, Pioneer, etc. The research and development energy of MCM will fully join the Company in 2020. Technical cooperation has greatly contributed to its production technology, product quality, and even marketing channels.

(3) Production capacity of key raw materials, easy to control cost and quality

In the process of producing recordable optical disc products, the key raw material Dye is expensive, and the phase change technology materials and mastering technology are also the same. However, the Company is committed to the success of this key raw material, not only the exclusive patented material technology but also a large number. Production can be easily controlled in terms of production quality, thus significantly reducing manufacturing costs.

(4) Consistent product source, master the advantages of channel

The Company has been operating the production and sales of storage media for a long time and has gradually transformed into a professional manufacturer of optical discs and related optoelectronic products with the evolution of technology trends. The downstream customers have established many years of cooperation with the Company, confident in professional quality and reputation of the Company. Therefore, CMC can accumulate past experience and have a stable and abundant competitive advantage in sales source and sales channels. In addition, the Company has established an operating base around the world to better serve its customers and gain a competitive edge.

(5) Long-term and close strategic partners and stable growth

CMC is favored by internationally renowned manufacturers. In the market of optical discs, CMC works with well-known client entities; retain an enduring business relationship with these international companies has become one of the most important core competitiveness of CMC. In addition, the Company is currently one of the leading suppliers of internationally renowned channel optical discs. This is one of the reasons why CMC can maintain a friendly relationship with long-term and close strategic partners in a highly competitive industry.

In the ever-changing information generation, consumer habits have changed rapidly, although CD-R/DVD-R global demand has declined slightly in some regional markets due to the popularity of USB Flash drive. However, CD-R/DVD-R is still the best choice for consumers when it comes to data back-ups, because CD-R/DVD-R has the characteristics of being able to record only once, plus the advantage of lower unit recording cost. one. Therefore, despite the peak demand for CD-R/DVD-R, it is expected that its product life cycle will continue to expand.

In terms of industry outlook, CMC placed more emphasis on product research and development, actively cooperated with international companies and developed the next phase of product development, to have a solid grip of high- margin market opportunities and gain an advantage to take lead in technology.

5. Unfavorable factors in prospects of development, the corresponding measures

- (1) New storage media is constantly launched, making the replacement competition among storage media increasingly large
- (2) Lack of uniform specifications/standards for non-standard products or emerging technologies.
- (3) With the continuous development of technology, digital content is rapidly becoming more abundant and high-quality, and people's expectations for information storage are getting higher and higher.
- (4) Smart products continue to evolve and change consumer behaviors

Based on the Company history, the management team can successfully grasp the

market opportunity, determine the dependence of mainstream products, and take the lead. Looking toward the future, the demand on cloud data continues to increase globally. The file disc is the best solution of storage media for cold data backup due to the low consumption and long-term preservation. Especially, the Company focused on the technology and production ability of Mitsubishi high-capacity archival discs in 2020. For its superior cost control earlier than competitors, the Company will continue to maintain its solid leadership position in the highly competitive optical disc industry.

(II) Production management

1. Production strategy

The COVID-19 (novel coronavirus pneumonia) pandemic has paused the operation of the global economy, but accidentally sped up "stay-at-home economy", which has doubled the growth of related industries. The high frequency use of mobile phones and computers has led to the rise of demand for home movie entertainment, virtual reality (VR)/augmented reality (AR), streaming services (ICT industry), multimedia audio-visual content, mobile games, etc., driving the increase in demand for data storage. The Company will also continue to make process improvements, technology upgrades and key technology deepening to increase productivity and profitability.

Production strategy and objectives for the year:

- A. Customer-Value Proposition: to provide world-class product quality and become the most trusted strategic partner of customers with excellent customer service commitment and lower total cost.
 - a. In response to 8K high quality TV, AR (Augmented Reality), VR (Virtual Reality), and 360 degree surrounding audio and video demands, it can expect high demand for BD-R/RE TL (Triple Layer). The Company actively develops new 4-layer high-end BD-QL formats for large-capacity data storage and high-definition recording.
 - b. The rapid development of terminal electronic products in the future will enable customers to adopt the innovative technologies and services of CMC more widely, and actively participate in and develop international certification of record-type high- capacity audio-visual disc storage media, and all well-known disc players such as: Pioneer, Panasonic, Philips, SONY, HLDS, NEC, Lite-On, BenQ, TSST, Plextor, ASUS, LG, SAMSUNG and other strategies to develop high-multiple storage media to quickly respond to the ever-changing optical disc market and enhance industrial competitiveness.
- B. Profit Proposition: Local raw materials reduce the cost of purchasing materials and reduces inventory risks. Through process technology to improve production efficiency and reduce production costs, and through the development of alternatives, the cost of acquisition can be effectively reduced to cope with the ever-changing environment and raw material fluctuations.
- C. For-employee: entrust that “good employees comes with a successful company”, through the Passion, Reliability, Dedication, Excellence, four core values to help organizations and organizations Employees personally understand how to improve their work performance and creativity, so that each employee can adapt to the situation and enhance competitiveness. Establish a systematic and programmatic training development framework, and through organizational learning, through mutual encouragement to enhance self-ability and cultivate the ability of the organization to think as a whole, so that its quality and ability can meet the Company's development needs.

With these three propositions, CMC will achieve the goal of “value creation, management and management” in a win-win direction with customers, companies and personnel, and quickly grasp the direction of sustainable development of industrial progress.

2. Key product functions and manufacturing process

Major products	Key functions	Manufacturing process
Recording optical storage media	Burn and record data for long-term storage, high stability, commonly used for data archiving and backup (e.g. CD- R, CD-RW, and other products).	Substrate injection molding, recording layer production (chemical dye coating for CD-R , and inorganic sputtering for CD-RW), sputtered metal reflective layer, and protective coating are applied to the final printing package.
Digital optical storage media	Featured high capacity and media playback such as TV and movie. E.g. DVD+/-R SL, DVD+/-R DL, DVD+/-RW, DVD-RAM, HD DVD-R / RW, BD, and more.	Substrate injection molding, recording layer production (chemical dye coating for DVD+/-R, and inorganic sputtering for DVD+/-RW and advanced compact disc), sputtered metal reflective layer, protective coating splash and laminating procedures applied to the final printing package.

3. Product Quality

- (1) Enhanced Feature: improved from recording optical storage media product to digital optical storage media, and from low recording speed to high recording speed optical disc.
- (2) Improved satisfaction level: work closely with customers to satisfy needs, solve problems, and achieve zero customer complaint product quality.
- (3) Verification of Optical storage media products:
 - CD-R obtained Philips 2-52X product verification.
 - DVD-R obtained 1X, 4X, and Pioneer 2X, 4X, 8X, 16X product verification from DVD Forum Class A Verification Laboratory. Obtained 8X and 16X product verification in 2005. 18X and above received verification.
 - Obtained Pioneer DL 4x verification in 2006, DL 8X verification in 2007, and DVD- R CSS-MR (MOD type) from DVD Forum Class A Verification Laboratory in 2008; whilst develop DL 12X.
 - DVD+R obtained Philips 2.4X , 4X , 8X , 16X , and DL 2.4X product verification, whilst received verification for 18X and above in series. Obtained Philips DL 8X product verification in 2006. DL 2.4X Philips verification in 2007. Simultaneously developing DL 16X.8cm
 - DVD+RW obtained Philips 2.4X/4X/8X product verification.
 - BD-R SL 25GB 2X/4X obtained product verification from Class-A Verification Laboratory and Certification in 2007.
 - BD-RE SL 25GB 2X obtained product verification from Class-A Verification Laboratory and Certification in 2007.
 - BD-RE SL 25GB 6X obtained product verification from Class-A Verification Laboratory and Certification in 2008.

- Pre-recordable Blu-ray disc BD-ROM obtained product verification from Class-A Verification Laboratory and Certification in 2008.
- DVD-R CSS download EST type obtained Product Verification from Class-A Verification Laboratory and Certification for Compatibility from Drive Manufacturers in 2009.
- Single-layer Blu-ray disc (BD-R) received “carbon footprint of product demonstration model of manufacturing industry” and PAS 2050:2008 product carbon footprint verification certificate from Industrial Development Bureau
- BD-R DL 50GB 6X obtained product verification from Class-A Verification Laboratory and Certification in 2010.
- Single-layer DVDR disc received “carbon footprint of product demonstration model of manufacturing industry” and PAS 2050:2011 product carbon footprint verification certificate from Industrial Development Bureau.
- Imported TAIYO YUDEN manufacturing technology from Japan in 2015.
- DVD-R obtained ISO16963 product verification from Class-A Verification Laboratory (TDTC) in 2018.
- BD-R TL 100GB 4X obtained product verification from Class-A Verification Laboratory and Certification in 2019.

(4) Factory Certification and Accreditation:

- All factories have obtained ISO 9001 certification.
- LinKou factory obtained ISO 14001 certification.
- LinKou factory obtained SONY Green Partner certification.
- Implementation of OHSAS 18001 began.
- Implementation of ISO 14064 certification in 2010
- Implementation of AEO Quality Enterprise Supply Chain Management Counseling in 2011.
- All factories have passed the Taiwan Occupational Safety & Health Management System certification (TOSHMS).
- Implementation of ISO 28000 Supply Chain Security Management in 2012.
- Obtained ISO 14064 greenhouse gas certification in 2013.
- All factories are certified with C-TPAT Customs and Border Protection of the U.S. Department of Homeland Security in 2013
- DVDR of all factories have obtained PAS 2050:2011 product carbon footprint verification certificate in 2013.
- Blu-ray disc have obtained PAS 2050:2011 product carbon footprint verification certificate in 2013.

(5) Quality control monitoring equipment:

Pulstec DVD ODU-1000, Dr. Schenk DVDR MT-146/MT-200, Dr. Schenk BD MT-200-blu, Ono-soki LM1200/1210, CD-CATS, DVD-CATS, Expert CDT-R/DVDT-R, Sony DUC-10, Sony DUC-12, Dr.schwab Argus-blu, Expert SP-1, ETA- ECC, ETA-RT, ETA-RT-blu, ETA-GT, ETA-GT-blu, ETA-GT2, SONY DEC12-T03, Toyo TH-7DE, Pulstec DES-21, Basler REF100, Pulstec DVD-TE/FE, Pulstec Master, Expert DVD-TE/FE2, Expert BD-TE/FE, Expert BDT-201, Expert BDT-203, Expert BDT-SDX, Expert BDT-SDXM.

4. Establishing Culture of Quality

- (1) Expedite operation flow: from the beginning, we discussed the direction of

experiment and test, to accelerate product development.

- (2) Eliminate waste costs: eliminate waste of time, personnel, materials and other costs caused by poor planning.
- (3) Improving on-site efficiency: observe on-site improvement status, investigation problems behind the problem, development of improvement of development process, establishment of new breakthrough station, delivery site efficiency.
- (4) Create a learning organization: see mistakes as opportunities for learning, not to blame individuals, but to take corrective action and widely disseminate knowledge gained from each experience within the organization.

5. Establish risk management

Through order demand estimation and production and sales coordination, in-depth analysis of customers' real needs, coordination of production, supply and sales operations, reduce overall inventory turnover, and achieve integrated application of risk management, to control and give early warning, as well as performance monitoring.

6. Occupational Safety Management

The safety and health management structure of the Company is promoted in accordance with the "Taiwan Occupational Safety and Health Management System TOSHMS". It complies with the safety and health regulations, promotes full participation, reduces operational risks, continuously improves, eliminates occupational disasters, and implements government occupational safety policies to protect labor lives, safety and health.

CMC has undertaken the transfer plan of the ISO 45001:2018 Occupational Health and Safety Management System.

7. Energy Management

In response to the development trend of international energy conservation and carbon reduction and energy management systems, the Company has made structural adjustments in manufacturing energy use and established energy management mechanisms to save energy and improve energy efficiency to reduce production costs, enhance competitiveness, and significantly reduce operating costs and Greenhouse gas emissions and environmental sustainability.

8. Promote green policy and establish sustainable business

Sustainability has become an international trend that governments and enterprises value in every country. The Company applies 3 indicators (3R) "reduce", "recycle", and "reuse" as design principle to introduce energy-saving, green energy-friendly (decomposable) materials into the process, minimizing environmental impacts during production, while reducing the consumption of global resources and greenhouse gas emissions.

9. Corporate Social Responsibility (CSR)

As an important member of the technology industry, CMC recognizes the possible impact of the Company on the environment. Therefore, it hopes to provide environmentally friendly products and services through advanced technology and innovative practices to maintain a sustainable environment for the next generation. In addition to complying with relevant government laws and regulations, we will reduce pollution by "reducing → recycling → recycling", purifying and reducing the remaining pollutants, and finally using the process and technology to achieve the purpose of recycling and let the environment With the goal of sustainable development and zero-emission green factory, we will continue to practice corporate social responsibility and strive to become a good corporate citizen.

(III) Supply status of main raw materials

Main Raw Material	Source of Raw Materials	Supply Situation
PC material	Taiwan, Middle East, Germany, Thailand, etc.	1. The Company purchases PC materials from Taiwan, the Middle East, Germany, Thailand and other regions to increase bargaining flexibility and diversify procurement risks. 2. The Company has formed a partnership with some suppliers, so it has an advantage in the acquisition of raw materials. 3. The Company has high sensitivity to the PC material market price and fast decision-making efficiency; and in the group bargaining mode, it has a purchasing advantage for the price control of PC materials.
Target materials	Japan, Taiwan and Europe	1. More than half of the target materials have been supplied by Taiwan target suppliers; therefore, the delivery period is short and the supply source is relatively stable. In addition, it helps to reduce procurement costs and reduce the safety stock in the plant. 2. The direct material of the target is mainly silver. The price fluctuation of silver in the market varies greatly with the crude oil and financial index. It is well controlled by the procurement department and will not be disconnected due to market changes. 3. Work with suppliers to continuously plan and improve targets in order to increase the number and efficiency of spills per target, which will help to significantly reduce costs.
Dye	Switzerland, Japan	1. Suppliers in Switzerland and Japan help to diversify procurement and purchase risks. 2. The Company regularly estimates the purchase amount per quarter according to the capacity demand and expansion plan, and negotiates the price and orders at the quarter to guarantee the supply of raw materials for the first quarter. 3. The Company has the ability to develop dyes, and from time to time arrange suppliers to the factory and process and R & D departments for technical exchanges to control the market development.

(IV) Major import (export) customers in the last two years

1. Customers who account for more than 10% of the purchase price Unit: NT\$ thousand

Unit: NT\$1,000

	2019				2020			
Item	Name	Amount	Percentage in Total Net Purchases (%)	Relationship with the Issuer	Name	Amount	Percentage in Total Net Purchases (%)	Relationship with the Issuer
1	A	1,195,002	34	None	B	594,529	11	None
2	Others	2,349,243	66	None	Others	4,945,731	89	None
	Net purchase	3,544,245	100		Net purchase	5,540,260	100	

Reason for changes: Based upon sales requirements.

2. Customers who account for more than 10% of the sale price Unit: NT\$ thousand

Unit: NT\$1,000

	2019				2020			
Item	Name	Amount	Percentage in Total Net Sales (%)	Relationship with the Issuer	Name	Amount	Percentage in Total Net Sales (%)	Relationship with the Issuer
1	Others	7,045,247	100	None	A	1,277,673	14	None
2				None	Others	8,123,354	86	
	Net sales	7,045,247	100		Net sales	9,401,027	100	

Reason for changes: Based upon sales requirements.

(V) Production value in the last two years

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

Year Main Products	2019			2020		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Optical storage and peripheral products	60,831	43,508	4,209,164	32,451	27,271	2,669,438
Others	-	-	635,381	-	-	16,581
Total	60,831	43,508	4,844,9545	32,451	27,271	2,686,019

(VI) Sales volume in the last two years

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

Year Main Products	2019				2020			
	Domestic Sales		Foreign Sales		Domestic Sales		Foreign Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Optical storage and peripheral products	533	92,975	170,654	5,615,738	201	28,247	171,190	8,627,234
Others	-	821,809	-	514,725	-	502,660	-	242,886
Total	533	914,784	170,654	6,130,463	201	530,907	171,190	8,870,120

III. Human Resources and Employee Profile

(I) Human resources strategy

1. Human resources strategy of the Company:

- * Search, develop, and retain talents
- * Utilize talents in high efficiency organizations
- * Integrate business plans to achieve corporate business goals

2. Objectives:

- * Recruit talents with advanced education
- * Eliminate the underperformed staff and strengthen existed manpower
- * Strengthen corporate and employee training

(II) Number of total employees in the last two years and as of the date of publication of this annual report

Year		2019	2020	Current Year, up to April 20, 2021
Number of Employees	Operator	1,033	763	511
	Technician	83	63	57
	Employees	202	166	150
	Total	1,318	992	718
Average age		39.44	39.79	40.95
Average Service Year		10.42	10.82	11.38
Academic distribution ratio	PhD	1.21%	1.31%	1.81%
	Master's	2.96%	4.44%	6.13%
	Bachelor's	68.36%	69.75%	70.48%
	High school	21.93%	19.46%	16.71%
	Below high school	5.54%	5.04%	4.87%

Note: Chart above refers to the average number of the individual employees of the Company.

IV. Disbursements for Environmental Protection

(I) Emission of greenhouse gases:

Even though the Company does not reach the requirement to keep record of the greenhouse gas emissions by the Environmental Protection Administration, it considers the reduction of greenhouse gas emission as necessary in response to climate change and global warming and has been working to reduce the greenhouse gas emissions in recent years. All employees participate in energy saving and carbon reduction in order to reach the reduction goal. It makes and executes energy saving plan through the management plans of ISO14001 and ISO50001 environmental management systems every year. By measures such as improving manufacture process, replacing old equipment, or adjusting air compressor efficacy, it implements energy management in the factory while tracking and reviewing greenhouse gas emissions and related management policies regularly. The Company converts the electricity consumption to calculate the greenhouse gas emissions, and take the self-evaluation result as the goal basis to strive to achieve the specific goal of 1% reduction by every year.

Based on the emission of 2018, the emission of 2019 was 105,356 metric ton CO₂e/year. It was 12,335 metric ton CO₂e/year less than the emission of 2018, which is 10.4% reduction. Emission of 2020 was 77,506 metric ton CO₂e/year. It was 40,185 metric ton CO₂e/year less than the emission of 2018, which is 34.1% reduction.

(II) Annual water consumption:

The total water consumption of the Company in 2020 was 537,919 cubic meters. It was 144,167 cubic meters less than 682,086 in 2019. The Company is still committed to various water-saving measures, continuous leakage monitoring to prevent abnormal loss of water. This year, we will continue to cooperate with production and research to carry out various water-saving improvement measures.

Unit: cubic meter

Year	Initial water withdraws	Water consumption	Water disposal
2019	682,086	164,716	517,370
2020	537,919	129,901	408,018

(III) Water waste disposal:

At the initial stage of planning, the Company has certainly completed the rainwater and sewage diversion, and the rainwater is discharged to the general drainage ditch; sewage (waste) water shall be collected into the pipe and discharged after treatment by the Company's wastewater treatment equipment (or industrial sewage plant), and water quality testing and filter material cleaning and replacement shall be carried out regularly and irregularly. Sewage (waste) water detection values are in line with the national discharge standards (or industrial park standards). In the future, strict standards will be applied to meet our commitment to environmental policy.

(IV) Electrical energy use:

Performance result on energy conservation in recent years

1. Cooling water tower becomes energy-saving fan blade - increase heat dissipation and reduce ice water load, energy saving 64,982KWH / month
2. Connect the transformer in parallel to turn off the useless transformer *5 groups energy saving 98,983KWH / month
3. Air compressor plate thermal modification, energy saving 15,251KWH / month

In the future, the Company will continue to cooperate with production to improve energy efficiency. In addition to continuing to reward energy-saving proposals and education and training, an external energy-saving auditing mechanism will be arranged, and professional teams will be invited to conduct energy-saving health inspections and project implementation in a timely manner so that all employees can inject new energy-saving thinking and attitudes to maintain energy-saving results.

Power management data	
Unit: million KW/H	
Year	Electricity
2019	207
2020	152

(V) Waste treatment:

The waste currently produced by the Company can be divided into 4 types as per follow:

1. General business waste (general waste): It is currently submitted to the incineration plant after being cleared by the B-level removal agency for disposal.
2. General business waste (inorganic sludge): This waste belongs to the factory with independent wastewater operation equipment. It is currently handled by a Class A Clearing and Processing Company.
3. Hazardous business waste: It is currently being disposed of or reused by a Class A cleaning and disposal company.
4. Recycling of resources: Handed over to the disposal and recycling entities, due to the implementation of waste classification management, recycling tonnage has grown substantially, and CMC will continue to work to reduce general business waste and harmful businesses in the future. Other waste, such as pallets, scrap iron, and space bags are all acquired by related companies.

The concept of waste management has been transformed from traditional cleanup and disposal into integrated resource management. It has a dedicated unit for waste resource management, and treats waste as a valuable resource for recycling. For the sustainable use of resources, the principle of waste management is firstly to reduce the amount of waste generated by process chemicals, and then to recycle and reuse waste, energy recovery, and finally other treatment methods such as incineration.

The Company does implement the classification of hazardous business wastes. In the near future, it is more committed to the classification and management of general business wastes, and improves the recycling rate of resources. The average monthly general waste quantity has been reduced year by year, and the resource recycling program continues to promote and abandon. The material handling procedures are in compliance with relevant environmental regulations.

The Company's products are subject to the EU environmental protection (RoHS) related directives, the product commission is tested by the SGS legal certification body, and the detailed operation process is carried out by the Company's central quality assurance department. The production, manufacture, transportation and sale of products, except for general waste, do not produce or transport toxic waste as defined by the Basel Convention. All commercial waste is directly disposed of locally and not exported to other countries.

Calculation on waste				
Unit: ton				
Year	Processing method	Toxic Business Waste	General Business Waste	Total weight
2019	Incineration	82.50	204.51	287.01
2020	Incineration	64.85	208.83	273.68

(VI) Work environment and employee safety protection:

The Company continues to promote the TOSHMS, OHSAS18001 and ISO14001 systems to provide a safe and healthy working environment for employees:

1. Safety:

- Comply with the requirements of the law, follow the relevant national environmental protection and occupational safety and health laws and regulations, and strive to meet the advanced international environmental standards.
- Implement contractor management and strengthen applications for construction and special operations.
- Popularize the activities of environmental protection, implement environmental safety education and publicity, enhance employees' awareness of environmental safety, and promote participation and implementation of environmental safety and health work.
- Conduct regular fire drills, equipment testing, overhaul, and legal declaration.
- Implement emergency contingency plans, conduct regular escape refuge drills, and conduct drills with firefighting units.
- Control risk on work environment: provide appropriate protective facilities or operational controls to control the impact of domestic sewage, waste sorting, stacker operations, falling from heights, and hazardous materials management.
- Implement on-site automatic inspections, strengthen on-site labor safety and sanitation check, review safety and sanitation measures from time to time.
- Continuous improvement of performance: continuous improvement of environmental protection and occupational safety and sanitation performance through hazard prevention, continuous improvement, setting goals and programs.
- Organize employee education and training to raise employees' awareness of safety and health and participate in government safety and sanitation activities.

2. Health:

- Regularly hold general employee health checkups and special work health checks.
- Regularly carry out the measurement of the working environment and continue to improve the environment.
- Regularly implement drinking water quality measurements to ensure compliance with drinking water quality standards.
- Enhance the proper use of the safety-guards equipment, and regularly check and record the usage conditions
- Regularly arrange professional health practitioners to conduct health promotion

training course, to inform employees know about health information.

- Strengthen traffic safety education and training, and conduct drills to reduce traffic accidents for colleagues to and from work.
- Check the central kitchen of food service company, and works conducted by its service personnel from time to time, demand to have the food service company perform physical health check-ups for its employees on a regular basis every year.

(VII) Environmental protection expenditure

Amount of environmental investment are as follow:

Unit: NT\$1,000

Item	2020	Current Year, up to April 20, 2021
Air pollution control expense	3,930	426
Water pollution control expense	476	6
Waste reduction and treatment, resource recovery, energy conservation expense	5,533	805
Environmental protection system certification fee (certification fee, environmental monitoring fee)	509	120
Environmental protection related education and training expense	204	0
Environmental protection related personnel expenses	1,994	486
Environmental related hardware expenses	2,471	0
Total	15,117	1,843

The Company violated Water Pollution Control Act in 2020, and was corrected by Department of Environmental Protection, Taoyuan. The company has completed relative modification and improvement..

V. Labor Relations

- (I) The Company has established a well-established personnel system and employee operation guidelines and maintained a smooth communication channel. The employees' welfare, treatment, family life, etc. are all very concerned. Therefore, the working relationship with employees has been positive, no severe labor disputes occurred.
- (II) The employee benefit measures currently implemented by the Company include:
 - Labor insurance: new employee will be insured under labor insurance upon first day of employment.
 - National Health Insurance: new employee will be insured under National Health Insurance on the first day of employment.
 - Group insurance: All employees enjoy multiple guarantees such as free life insurance, medical insurance and accident insurance.
 - Withdraw residual revenue to share dividends with employees: Pay dividends to employees, to share positive performance of the Company

- Employee outing: Arrange several different options for company travel tours for employees to choose from.
- Leisure activities: Organize photography competitions and essay competitions.
- Festival gifts: Provide gifts during Dragon Boat Festival, Mid-Autumn Festival, Labor Day and other festivals to celebrate
- Birthday gift: Provide birthday gifts and hold birthday party.
- Staff Restaurant: Provides a clean, bright, hygienic dining environment and delicious meals at great value.
- Employee dormitory: Provide convenient accommodation for employees not from local area
- Wedding and funeral funds: Subsidy for employee wedding and funeral
- Injury and sympathy funds: Subsidy for employee going through injury or hospitalization
- Departmental luncheon or get-together: Reserve certain funding for department function, for team unity.
- Year-end party: Year-end employee appreciation dinner party.
- Year-end lottery raffle: Conduct lottery of various prizes, to show gratitude to staff for their year- round contribution.
- Christmas party: Get together with employee during holiday season.
- Audio-visual library: Regularly purchase high-quality videos for employees to rent on a monthly basis.
- Movie-night and appreciation of art exhibitions: Give away tickets to employee, to increase appreciation of letter arts and literature.
- Periodical health check-up: Routine health check-up for the employee
- Scholarships: Set up a Central Scholarship to provide school grants and attract talents to join CMC.
- Various discounts from corporate account: Work with various business entities to offer diverse corporate account perks and discounts for employee to enjoy and shop at.
- Groupon: Use CMC's corporate resources to purchase good quality products in group-on price.
- Employee retirement system: Well-rounded retirement plan for employee
- Nutrition management: In order to strengthen employees' health awareness, we provide health care information for employees' reference and invite professional doctors to provide psychological counseling and health advice to employees.
- Employee care for major injuries and disasters: Give periodical care and greeting to staff, and help to find a variety of cancer-related information for staff to refer from.

(III) The Company is committed to nurturing talents. In addition to implementing pre-employment training, it also provides multiple on-the-job training to enrich staff skills and advance toward multiple functional goals. The current training plan includes: The current training plan includes:

- New employee orientation: After the new recruits report, in addition to the introduction of rules and regulations, work safety, environmental guidance, etc.,

there are dedicated counselors to provide professional pre-employment training.

- Skills Certification Training: Encourage newcomers to learn quickly, develop certification standards, authenticate successfully and give bonus incentives.
- Internal training: The Company schedules annual plans according to training needs, external lecturers or in-house training instructors, and conducts training courses according to job level and work needs.
- External training: The Company does not have its own training courses, and colleagues can apply for external training according to the needs of the work.
- Safety and health training: The Company attaches great importance to work safety. It arranges various safety maintenance and certification courses in the year. In addition to strengthening work safety awareness, colleagues can also self-improve their licenses.
- Evacuation drills: In order to ensure the safety of employee accommodation, the evacuation drills of the accommodation personnel are handled quarterly.
- Emergency Training: Hold regular training on simulation of disasters to ensure the safety of colleagues.
- Fire drill training: Conduct fire safety seminars every six months in accordance with the regulations, and apply internship training so that the participants can actually operate fire extinguishers, fire hydrants, and test the effectiveness of emergency escape grouping on a large scale.
- Elite training: Train elite employee and arrange management courses to activate the organization.
- License and certification: Encourage colleagues to study for professional skill licenses.
- Language training: Encourage colleagues to pursue language proficiency.
- Policy on rotation of job position and shifts: With internal transfer and rotation of job position, employees can understand the depth and breadth of work, thus strengthen the growth of employees.
- Performance appraisals: Periodical performance interviews with employees, actively understand employee needs and suggestions, to improve on existing problems.
- Working capabilities training: Encourage employees to participate in the industry talent investment program training pipeline and cultivate a variety of skills.

Results of 2020 Employee Education and Training:

Course	Total Headcounts	Total Hours
New Employee Orientation	55	330
Safety Course	105	315
Disaster Prevention	126	378
Professional Skill	690	2,640
Management Course	53	159
Total	1,029	3,822

(IV) Employee Code of Ethics: The Company prepares working rules, employee handbooks, employment consent, internal announcements, posters, etc. as guidelines for employee work and behavior. The Company's employee code of conduct are as follows:

- Protection of business confidentiality: The employees of the Company are prohibited from revealing the Company's business confidential content via verbal, written, photocopying, copying, photography, circulation or any other means or forms without the authorization of the Company.
- Respect for intellectual property rights: The Company protects intellectual property rights and prohibits employees from installing illegal software or copying copyrighted intellectual property.
- Emphasize on importance of information security: The equipment and assets used by the Company, including but not limited to computers and peripheral equipment, online accounts, documents and information, are limited to job related purposes. Employees of the Company are not allowed to install non-corporate authorized software or hardware without permission or bring the electronic devices required for non-services into the Company without permission.
- Prohibition of employment discrimination: The Company recruits employees, and the management method must not be treated or despised due to factors such as race, class, nationality, religion, age, disability, gender, marital status, pregnancy, sexual orientation, community, etc.
- Protection of gender equality: In order to maintain gender equality and personal dignity, the Company has established measures for the prevention and control of sexual harassment in the workplace and for disciplinary measures for all employees to comply with.
- Prohibition of improper benefits: The Company strictly prohibits employees from using their duties to obtain improper or unlawful interests for themselves or any third party, group or company, regardless of whether the behavior is due to personal feelings or personal interests.
- Emphasis on work safety: The Company focuses on work safety and hygiene, sets various work procedures and codes of practice, requires employees to follow the correct work steps and regularly check relevant equipment, and relevant departments will check them regularly and irregularly to ensure employees work safely.
- Encourage for honesty: The Company employs employees to pay most attention to personal character, honesty, and ownership of responsibility, as these are most basic work attitude.
- The spirit of teamwork: Every employee of the Company should work in a division of labor, play the spirit of the team, and believe that even the big problems can be solved.
- The culture of innovative thinking: The Company encourages employees to have a positive working attitude and innovative thinking mode, in order to respond to the external environment of rapid changes, and to establish a win-win situation for labor and capital.

(V) The Company has not suffered any significant losses due to labor disputes in the most recent year up to the printing date of this annual report. In the future, the Company will continue to uphold the principle of consistent improvement of employees' welfare measures and maintain a smooth communication channel. CMC believe that maintaining a good labor relationship with employees, there should be no labor disputes in the future.

VI. Important Contract

Type of Contract	Party	Contract Duration	Contract Content	Restrictions
Authorized contract	4CEntity LLC	From September 30, 2002	Technology licensing	The Company carries a duty of confidentiality
Authorized contract	Philips	From December 31, 2009	Patent licensing	The Company carries a duty of confidentiality
Authorized contract	SONY	From April 1, 2010	Patent licensing	The Company carries a duty of confidentiality
Authorized contract	HP	From April 1, 2005	Trademark licensing	The Company carries a duty of confidentiality
Authorized contract	HP	From November 4, 2005	Technology licensing	The Company carries a duty of confidentiality
Purchase and sales contract	Maxell	From April 17, 2006	Manufacture of products	The Company carries a duty of confidentiality
Authorized contract	Pioneer	From April 1, 2009	Patent licensing	The Company carries a duty of confidentiality
Authorized contract	JVC	From January 1, 2010	Patent licensing	The Company carries a duty of confidentiality
Authorized contract	Taiyo Yuden	From August 24, 2015	Patent licensing	The Company carries a duty of confidentiality
Authorized contract	One Blue	From January 1, 2018	Patent licensing	The Company carries a duty of confidentiality
License Agreement	YOURSCO	From January 1, 2021	Technology licensing	The Company carries a duty of confidentiality

Chapter 6 Financial Status Overview

I. Condensed Balance Sheets and Statements of Comprehensive Income for the Past 5 Fiscal Years

(I) Condensed Balance Sheets and Statements of Comprehensive Income

1. Condensed consolidated balance sheet

Unit: NT\$1,000

Year Item		Financial information in the last 5 years (Note 1)				
		2016	2017	2018	2019	2020
Current assets		10,881,094	9,900,844	13,262,729	14,096,882	13,284,631
Property, plant and equipment		14,797,071	12,980,006	8,900,335	6,329,013	5,547,534
Intangible assets		202,699	169,990	88,685	181,740	146,877
Other Assets		3,377,697	2,874,518	3,109,102	4,850,505	5,825,967
Total Assets		29,258,561	25,925,358	25,360,851	25,458,140	24,805,009
Current liabilities	Before distribution	5,373,369	3,424,284	3,464,537	3,995,718	3,406,467
	After distribution	5,373,369	3,424,284	3,464,537	4,227,494	(Note 2)
Non-current liabilities		2,711,815	2,927,647	2,402,081	1,928,774	2,076,891
Total Liabilities	Before distribution	8,085,184	6,351,931	5,866,618	5,924,492	5,483,358
	After distribution	8,085,184	6,351,931	5,866,618	6,156,268	(Note 2)
Equity attributable to owners of parent		20,586,627	19,077,273	19,066,404	19,226,542	18,976,575
Share capital		18,778,715	18,306,475	17,741,264	11,588,812	11,588,812
Capital surplus		7,170,157	7,441,417	7,542,770	7,700,295	7,642,963
Retained earnings	Before distribution	(5,199,745)	(6,293,519)	(5,671,352)	213,793	150,933
	After distribution	(5,199,745)	(6,293,519)	(5,671,352)	(17,983)	(Note 2)
Other equity interest		6,570	(208,030)	(295,175)	(276,358)	(406,133)
Treasury Stock		(169,070)	(169,070)	(251,103)	0	0
Non-controlling interest		586,750	496,154	427,829	307,106	345,076
Total Equity	Before distribution	21,173,377	19,573,427	19,494,233	19,533,648	19,321,651
	After distribution	21,173,377	19,573,427	19,494,233	19,301,872	(Note 2)

Note 1: Financial information in the last 5 years have been checked and verified by certified accountants

Note 2: To be approved by the resolution of shareholders' meeting.

2. Condensed Consolidated Income Statement

Unit: NT\$1,000

Item \ Year	Financial information in the last 5 years (Note 1)				
	2016	2017	2018	2019	2020
Sales Revenue	10,962,317	9,155,743	8,569,339	7,045,247	9,401,027
Gross Profit	253,670	52,560	576,505	1,118,481	2,003,393
Operating Income	(1,728,167)	(1,328,829)	(596,688)	(93,604)	(231,344)
Non-operating income and expenses	(341,289)	346,755	1,262,120	307,283	460,894
Net profit (loss) before tax	(2,069,456)	(982,074)	665,432	213,679	229,550
Net loss for the ongoing operating business unit	(2,203,609)	(1,127,310)	443,401	211,516	124,827
Loss from Discontinued Operations	0	0	(20,002)	(43,930)	0
Net Income	(2,203,609)	(1,127,310)	423,399	167,586	124,827
Other Comprehensive Income (Loss), After Tax	(188,587)	(148,678)	85,958	38,983	(149,294)
Total comprehensive income for the year	(2,392,196)	(1,275,988)	509,357	206,569	(24,467)
Net profit (loss) attributable to the equity holders of the parent company	(2,370,564)	(1,128,344)	430,204	228,705	111,073
Net profit (loss) attributable to non-controlling interests	166,955	1,034	(6,805)	(61,119)	13,754
Comprehensive Income Attributable to Owners of the Parent	(2,557,820)	(1,297,126)	525,464	256,575	(44,537)
Comprehensive Income Attributable to Non-controlling Interests	165,624	21,138	(16,107)	(50,006)	20,070
Basic Earnings (Loss) Per Share	(1.17)	(0.61)	0.36	0.20	0.10

Note 1: Financial information in the last 5 years have been checked and verified by certified accountants

3. Condensed individual balance sheet

Unit: NT\$1,000

Year Item		Financial information in the last 5 years (Note 1)				
		2016	2017	2018	2019	2020
Current assets		6,840,022	7,148,885	8,368,705	8,867,449	7,992,051
Property, plant and equipment		6,802,121	6,014,825	5,219,840	4,840,399	4,235,057
Intangible assets		70,360	40,575	21,951	105,379	93,161
Other Assets		12,902,058	11,695,645	12,301,060	10,317,279	11,119,484
Total Assets		26,614,561	24,899,930	25,911,556	24,130,506	23,439,753
Current liabilities	Before distribution	3,777,957	2,871,615	4,388,064	2,073,851	1,606,112
	After distribution	3,777,957	2,871,615	4,388,064	2,305,627	(Note 2)
Non-current liabilities		2,249,977	2,951,042	2,457,088	2,830,113	2,857,066
Total Liabilities	Before distribution	6,027,934	5,822,657	6,845,152	4,903,964	4,463,178
	After distribution	6,027,934	5,822,657	6,845,152	5,135,740	(Note 2)
Share capital		18,778,715	18,306,475	17,741,264	11,588,812	11,588,812
Capital surplus		7,170,157	7,441,417	7,542,770	7,700,295	7,642,963
Retained earnings	Before distribution	(5,199,745)	(6,293,519)	(5,671,352)	213,793	150,933
	After distribution	(5,199,745)	(6,293,519)	(5,671,352)	(17,983)	(Note 2)
Other equity interest		6,570	(208,030)	(295,175)	(276,358)	(406,133)
Treasury Stock		(169,070)	(169,070)	(251,103)	0	0
Total Equity	Before distribution	20,586,627	19,077,273	19,066,404	19,226,542	18,976,575
	After distribution	20,586,627	19,077,273	19,066,404	18,994,766	(Note 2)

Note 1: Financial information in the last 5 years have been checked and verified by certified accountants

Note 2: To be approved by the resolution of shareholders' meeting.

4. Condensed Consolidated Individual Income Statement

Unit: NT\$1,000

Item \ Year	Financial information in the last 5 years (Note)				
	2016	2017	2018	2019	2020
Sales Revenue	8,228,573	6,727,951	6,643,919	5,504,373	3,935,194
Gross Profit	364,633	132,571	550,704	887,759	648,258
Operating Income	(906,112)	(563,293)	(66,544)	328,510	(120,969)
Non-operating income and expenses	(1,367,737)	(445,808)	557,588	(90,196)	262,551
Net profit (loss) before tax	(2,273,849)	(1,009,101)	491,044	238,314	141,582
Net loss for the ongoing operating business unit	(2,370,564)	(1,128,344)	430,204	228,705	111,073
Loss from Discontinued Operations	0	0	0	0	0
Net Income	(2,370,564)	(1,128,344)	430,204	228,705	111,073
Other Comprehensive Income (Loss), After Tax	(187,256)	(168,782)	95,260	27,870	(155,610)
Total comprehensive income for the year	(2,557,820)	(1,297,126)	525,464	256,575	(44,537)
Basic Earnings (Loss) Per Share	(1.17)	(0.61)	0.36	0.20	0.10

Note: Financial information in the last 5 years have been checked and verified by certified accountants.

(II) Name of the CPA in the most recent five years and the audit comments:

Year	CPA	Opinion
2016	Lin, Chun-Yao, Yu, Shu-Fen	Unmodified opinion
2017	Yu, Shu-Fen, Chang, Shu-Chiung	Unmodified opinion
2018	Yu, Shu-Fen, Chang, Shu-Chiung	Unmodified opinion
2019	Yu, Shu-Fen, Chang, Shu-Chiung	Unmodified opinion
2020	Yu, Shu-Fen, Chang, Shu-Chiung	Unmodified opinion

II. Financial Analyses for the Past Five Fiscal Years

(I) Financial ratio analysis

1. Consolidated financial ratio analysis

Analysis Item \ Year		Financial Analyses for the Past Five Fiscal Years(Note 1)				
		2016	2017	2018	2019	2020
Financial Structure (%)	Debt ratio	27.63	24.50	23.13	23.27	22.11
	Ratio of long-term capital to property, plant, and equipment	161.42	173.35	246.02	339.11	385.73
Solvency (%)	Current ratio	202.50	289.14	382.81	352.80	389.98
	Quick ratio	158.40	239.19	332.97	268.61	301.55
	Interest coverage ratio	-	-	10.00	6.75	5.71
Operating Ability	Receivable Turnover (Times)	4.65	4.52	5.01	3.56	4.28
	Average days for cash receipts	78.00	80.00	72.85	102.52	85.28
	Inventory Turnover (Times)	3.53	3.61	3.73	1.93	1.99
	Payable Turnover (Times)	8.82	7.73	9.11	7.57	7.60
	Average days for sale of goods	103.00	101.00	97.85	189.11	183.41
	Property, Plant and Equipment Turnover (Times)	0.69	0.66	0.78	0.93	1.58
	Total Assets Turnover (Times)	0.35	0.33	0.33	0.28	0.37
Profitability	Return on Total Assets (%)	(6.58)	(3.78)	1.88	0.77	0.65
	Return on equity (%)	(9.72)	(5.53)	2.17	0.86	0.64
	Pre-tax net profit to paid-in capital ratio (%)	(11.02)	(5.36)	3.75	1.84	1.98
	Net Margin (%)	(20.10)	(12.31)	4.94	2.38	1.33
	Earnings Per Share (NT\$)	(1.17)	(0.61)	0.36	0.2	0.1
Cash Flow	Cash Flow Ratio (%)	18.13	8.52	7.89	-	6.85
	Cash Flow Adequacy Ratio (%)	637.72	642.60	661.06	334.23	156.94
	Cash Reinvestment Ratio (%)	1.64	0.56	0.58	-	1.2
Leverage	Operating leverage	-	-	-	-	-
	Financial leverage	-	-	-	-	0.83

Note 1: Financial information in the last 5 years have been checked and verified by certified accountants

Reasons for the changes in financial ratios in the Company over the last two years: (analysis can be avoided if the increase or decrease is less than 20%)

(1) Operating ability analysis:

The main reason is that the Group strengthened its collection this year, which resulted in a better turnover rate of accounts receivable than last year.

(2) Analysis on profitability:

The profitability indicators were not as well as the previous period due to decrease in net profit after tax.

(3) Cash flow analysis:

For relevant analysis, please refer to page 310 Description of cash flow, of the annual report.

2. Analysis of individual financial ratio

Analysis Item		Year	Financial Analyses for the Past Five Fiscal Years (Note 1)				
			2016	2017	2018	2019	2020
Financial Structure (%)	Debt ratio		22.65	23.38	26.42	20.32	19.04
	Ratio of long-term capital to property, plant, and equipment		335.73	366.23	412.34	455.68	515.55
Solvency (%)	Current ratio		181.05	248.95	190.72	427.58	497.60
	Quick ratio		148.37	218.67	168.25	368.31	428.77
	Interest coverage ratio		-	-	7.71	7.87	4.48
Operating Ability	Receivable Turnover (Times)		4.19	4.10	4.72	4.40	3.15
	Average days for cash receipts		87.00	89.00	77.33	82.95	115.87
	Inventory Turnover (Times)		6.25	6.07	6.04	3.94	2.55
	Payable Turnover (Times)		7.02	6.22	5.47	5.72	6.78
	Average days for sale of goods		58.00	60.13	60.43	92.63	143.13
	Property, Plant and Equipment Turnover (Times)		1.11	1.05	1.18	1.09	0.87
	Total Assets Turnover (Times)		0.29	0.26	0.26	0.22	0.17
Profitability	Return on Total Assets (%)		(7.97)	(4.08)	1.92	1.02	0.60
	Return on equity (%)		(10.72)	(5.69)	2.26	1.19	0.58
	Pre-tax net profit to paid-in capital ratio (%)		(12.11)	(5.51)	2.77	2.06	1.22
	Net Margin (%)		(28.81)	(16.77)	6.48	4.15	2.82
	Earnings Per Share (NT\$)		(1.17)	(0.61)	0.36	0.2	0.1
Cash Flow	Cash Flow Ratio (%)		19.50	7.03	4.71	-	-
	Cash Flow Adequacy Ratio (%)		593.99	604.28	529.49	203.44	105.56
	Cash Reinvestment Ratio (%)		1.63	0.54	0.62	-	0.73
Leverage	Operating leverage		-	-	-	1.69	-
	Financial leverage		-	-	-	1.11	0.75

Note 1: Financial information in the last 5 years have been checked and verified by certified accountants
Reasons for the changes in financial ratios in the Company over the last two years: (analysis can be avoided if the increase or decrease is less than 20%)

(1) Analysis on solvency:

All indicators of solvency were better due to the repayment of bank loan.

(2) Analysis on profitability:

The profitability indicators were not as well as the previous period due to decrease in net profit after tax.

(3) Cash flow analysis:

For relevant analysis, please refer to page 310 Description of cash flow, of the annual report.

Note 2: Calculation Formula

1. Financial structure

(1) Ratio of liabilities in assets = total liabilities/total assets.

(2) Ratio of long-term capital to property, plant, and equipment = (Total equity + Non-current liabilities)/Net value of property, plant, and equipment.

2. Solvency

(1) Current ratio = Current assets/Current liabilities.

(2) Quick ratio = (Current assets - Inventories - Prepaid expenses)/Current liabilities.

(3) Interest coverage ratio = Income before tax and interest expenses/Interest expenses.

3. Operating ability

- (1) Accounts receivable (including accounts receivable and notes receivable generated from operations) turnover rate = Net sales/Average balance of accounts receivable (including accounts receivable and notes receivable generated from operations) for each period.
- (2) Average days for cash receipts = 365/Accounts receivable turnover rate.
- (3) Inventory turnover rate = Cost of goods sold/Average inventories.
- (4) Accounts payable (including accounts payable and notes payable generated from operations) turnover rate = Cost of goods sold/Average balance of accounts payable (including accounts payable and notes payable generated from operations) for each period.
- (5) Average days for sale of goods = 365/Inventory turnover rate.
- (6) Real estate, plants and equipment turnover rate = Net sales/Average real estate, plants and equipment, net.
- (7) Total assets turnover rate = Net sales/Average total assets.

4. Profitability

- (1) Return on assets = [Income after tax + Interest expenses x (1 - tax rate)]/Average total assets.
- (2) Return on equity = Income after tax/Average total equity.
- (3) Net profit margin = Income after tax/Net sales.
- (4) Earnings per share = (Income attributable to owners of the parent - preferred stock dividends)/Weighted average number of shares issued. (Note 4)

5. Cash flows

- (1) Cash flow ratio = Net cash flows generated from operating activities/Current liabilities.
- (2) Cash flow adequacy ratio = Five-year sum of net cash flows generated from operating activities/Five-year sum of capital expenditure, inventory additions and cash dividends).
- (3) Cash reinvestment ratio = (Net cash flows from operating - cash dividends)/(Gross amount of property, plant, and equipment + Long term investment + Other non-current assets + Working capital). (Note 4)

6. Leverage

- (1) Operating leverage = (Net operating revenue - Variable operating costs & expenses)/Operating income (Note 6).
- (2) Financial leverage = Operating income/(Operating income - Interest expenses).

Note 3: Special attention shall be paid to the following matters when using the calculation formula of earning per share above:

1. Shares outstanding is based on weighted average shares, and not based on year end shares outstanding.
2. Cash offerings or treasury stock transactions are considered in calculating weighted average shares.
3. Earnings appropriation or reserves to paid in capital shall be calculated and adjusted accordingly.
4. If preferred shares are cumulative non-convertible preferred shares, dividends shall be subtracted (regardless of whether they are paid out in dividends), from after tax net profit. If preferred shares are non-cumulative, in the event of net profits, preferred shares shall be subtracted after tax, but no adjustments needed if there are losses.

Note 4: Special attention should be paid to the following when measuring cash flow analysis:

1. Cash flows from operating activities refers to operating cash flows.
2. Capital expenditures are from the annual cash flow statements on capital expenditure outflows.
3. Inventory increases are from period end balance greater than period beginning balance, if inventories are less, then zero is applied.
4. Cash dividends includes common stock and preferred shares dividends.
5. Real estate, plant and equipment gross refers to the total amount of real estate, plant and equipment before deducting accumulated depreciation.

Note 5: The issuer shall classify the operating costs and operating expenses as fixed or variable as per their nature. If it involves estimation or subjective judgment, they are classified based on rationality and consistency.

Note 6: Where Corporation shares have no par value or where the par value per share is not NT\$ 10, any calculations that involve paid-in capital and its ratio shall be replaced with the equity ratio belonging to the owner of the parent Corporation of the asset balance sheet.

III. Annual Report of the Audit Committee for the Most Recent Fiscal Year

CMC Magnetics Corporation

Audit Committee's Report

It is to certify that

The 2020 Business Report, Financial Statements, and the profit distribution plan submitted by the Board of Directors have been reviewed by us, the Audit Committee of the Company. We have not found any inconsistencies with applicable laws in our review of the aforementioned documents. Therefore, we are hereby issuing this report in compliance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please review.

Sincerely,

2021 Annual General Meeting of CMC Magnetics Corporation

Convener of the Audit Committee

SHIAU, FUNG-SHYUNG

March 25, 2021

IV. Annual Financial Report for the Most Recent Fiscal Year

Representation Letter of CMC Magnetism 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 Magnetism Corporation

Chairman: Wong, Ming-Sen

March 31, 2021

Independent Auditors' Report

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

To CMC Magnetism Corporation,

Audit Opinion

We have reviewed the accompanying consolidated balance sheets of CMC Magnetism 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		December 31, 2019			
			Amount	%	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

(Continued on the next page)

Liabilities and equity		Notes	December 31, 2020		December 31, 2019			
			Amount	%	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			<u>3,406,467</u>	<u>14</u>		<u>3,995,718</u>	<u>16</u>
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			<u>2,076,891</u>	<u>8</u>		<u>1,928,774</u>	<u>7</u>
2XXX	Total liabilities			<u>5,483,358</u>	<u>22</u>		<u>5,924,492</u>	<u>23</u>
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		(	<u>406,133</u>	<u>2</u>	(	<u>276,358</u>	<u>1</u>
31XX	Total equity attributable to the owners of parent company			<u>18,976,575</u>	<u>77</u>		<u>19,226,542</u>	<u>76</u>
36XX	Non-controlling interests	4(3)		<u>345,076</u>	<u>1</u>		<u>307,106</u>	<u>1</u>
3XXX	Total equity			<u>19,321,651</u>	<u>78</u>		<u>19,533,648</u>	<u>77</u>
	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		2019	
		Amount	%	Amount	%
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		2019		
		Amount	%	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		<u>\$ 124,827</u>	<u>1</u>	<u>\$ 167,586</u>	<u>2</u>
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		(<u>\$ 24,467</u>)	<u>-</u>	<u>\$ 206,569</u>	<u>3</u>
Earnings per share						
9750	Basic earnings per share	6(32)	<u>\$ 0.10</u>		<u>\$ 0.20</u>	
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 Magnetix 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					

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 Magnetix 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
<u>Cash flows from operating activities</u>			
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)	(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)	(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)	-	(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 paid		(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
<u>Cash flows from investing activities</u>			
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		<u>584,773</u>	<u>(1,383,604)</u>
<u>Cash flows from financing activities</u>			
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		<u>(392,588)</u>	<u>(1,054,019)</u>
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		<u>3,327,127</u>	<u>6,699,312</u>
Cash and cash equivalents, end of period		<u>\$ 3,697,814</u>	<u>\$ 3,327,127</u>

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:

<u>New, Revised, and Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
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:

<u>New, Revised, and Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
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:

<u>New, Revised, and Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
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:

<u>Investor</u>	<u>Subsidiary</u>	<u>Nature of business</u>	<u>Ownership percentage (%)</u>		<u>Description</u>
			<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	
The Company	Zhong Jia International Investment Co., Ltd. (Zhong Jia)	General investment business	100.00	100.00	
The Company	CIA Holding Corp. (CIA)	General investment business	86.35	86.35	
Zhong Jia	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
Zhong Jia	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 (%)

<u>Investor</u>	<u>Subsidiary</u>	<u>Nature of business</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>Description</u>
The Company	Benmeng Optoelectronics Co., Ltd. (Benmeng)	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
Zhong Jia	Benmeng	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	
Zhong Jia	Deltamac	Production, distribution, rental, and sales of film and television	18.62	18.62	

products

Zhong Jia	Taiwan Net Co. Ltd. (Taiwan Net)	Electronic information supply service and general advertising service business	100.00	100.00	
Zhong Jia	EV Power Corporation (EV Power)	Automobile rental business	100.00	100.00	
Zhong Jia	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	
Benmeng	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 (%)

<u>Investor</u>	<u>Subsidiary</u>	<u>Nature of business</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>Description</u>
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	Jiangsu Yongxing Multimedia Co., Ltd. (Yongxing Multimedia)	Production and sales of optical discs	90.00	90.00	
Yongxing Electronic	Yongxing Multimedia	Production and sales of optical discs	7.00	7.00	
MFLLC	Nantong Zhongxing Multimedia Co., Ltd. (Zhongxing Multimedia)	Production and sales of optical discs	49.00	49.00	
Benmeng	FJKL Technology (BVI) Corp.(FJKL)	Holding and investment business	-	28.96	Note 1
EMC H	FJKL	Holding and investment business	-	71.04	"
Benmeng	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:

<u>Subsidiary</u>	<u>Principal Place of Business</u>	<u>Non-controlling interests</u>		<u>Non-controlling interests</u>	
		<u>December 31, 2020</u>		<u>December 31, 2019</u>	
		<u>Amount</u>	<u>Ownership Percentage</u>	<u>Amount</u>	<u>Ownership Percentage</u>
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	
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
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	<u>\$ 452,162</u>	<u>\$ 486,566</u>

	Deltamac	
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
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	<u>\$ 386,445</u>	<u>\$ 383,071</u>

Statement of Comprehensive Income

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

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

Statements of Cash Flows

	<u>Transtouch</u>	
	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	<u>(17,942)</u>	<u>(90,066)</u>
Decrease in cash and cash equivalents for current period	(12,948)	(211,418)
Cash and cash equivalents, beginning of period	<u>142,153</u>	<u>353,571</u>
Cash and cash equivalents, end of period	<u>\$ 129,205</u>	<u>\$ 142,153</u>

	<u>Deltamac</u>	
	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	<u>-</u>	<u>(920)</u>
Increase (decrease) in cash and cash equivalents for current period	34,214	(32,983)
Cash and cash equivalents, beginning of period	<u>97,734</u>	<u>130,717</u>
Cash and cash equivalents, end of period	<u>\$ 131,948</u>	<u>\$ 97,734</u>

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. Investments accounted for using equity method- associates

- 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. Property, plant and equipment

- 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 is 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. Other assets - office ornaments (listed in other non-current assets-others)

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. Impairment of non-financial assets

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. Share capital

- 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. Dividend allocation

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
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
	<u>\$ 3,697,814</u>	<u>\$ 3,327,127</u>

- 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)

<u>Items</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
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	-
	<u>4,082,203</u>	<u>3,913,289</u>
Adjustment to valuation	<u>104,708</u>	<u>208,800</u>
	<u>\$ 4,186,911</u>	<u>\$ 4,122,089</u>
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	-
	<u>3,057,545</u>	<u>2,015,058</u>
Adjustment to valuation	<u>39,933</u>	<u>156,782</u>
	<u>\$ 3,097,478</u>	<u>\$ 2,171,840</u>
Prepaid investment (listed in other current assets - others)		
Stocks listed in emerging stock markets	<u>\$ 3,000</u>	<u>\$ -</u>

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

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

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

	<u>2020</u>	<u>2019</u>
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
	<u>(\$ 118,960)</u>	<u>\$ 329,289</u>

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

<u>December 31, 2020</u>		
<u>Derivative financial assets</u>	Contract amount (notional principal)	<u>Contract period</u>
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)

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

- 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:

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

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

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

- 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:

	<u>2020</u>	<u>2019</u>
Interest revenue	<u>\$ 2,135</u>	<u>\$ 1,219</u>

- 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

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

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

	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	<u>Trade receivable</u>	<u>Notes receivable</u>	<u>Trade receivable</u>	<u>Notes receivable</u>
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	<u>271,709</u>	<u>-</u>	<u>70,115</u>	<u>-</u>
	<u>\$1,908,606</u>	<u>\$ 4,266</u>	<u>\$2,474,963</u>	<u>\$ 6,872</u>

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) The 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

		<u>December 31, 2020</u>			
<u>Factor</u>	Amount of trade receivable in factoring	<u>Amount derecognized</u>	<u>Amount of advance received</u>	<u>Amount of remaining advance available</u>	Interest rate range of advance
Taipei Fubon Bank	USD 1,034	USD 1,034	USD-	USD 3,000	-

Unit: NT\$ thousands

<u>Factor</u>	<u>December 31, 2019</u>				
	<u>Amount of trade receivable in factoring</u>	<u>Amount derecognized</u>	<u>Amount of advance received</u>	<u>Amount of remaining advance available</u>	<u>Interest rate range of advance</u>
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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
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
	<u>\$ 2,796,644</u>	<u>\$ 3,093,515</u>

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

	<u>2020</u>	<u>2019</u>
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)
	<u>\$ 7,397,634</u>	<u>\$ 5,926,766</u>

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))	<u>\$ 300,803</u>	<u>\$ 463,760</u>
December 31		

Note 1: Sixty-seven percent of the equity of Benmeng 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.

<u>Name of associates</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
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
Lady In Red Co., Ltd. (Lady In Red)	1,059	1,083
Add: Credit balance of investments accounted for using the equity method reclassified to "other non-current liabilities"	<u>7,743</u>	<u>7,473</u>
	<u>\$ 300,803</u>	<u>\$ 463,760</u>

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			Others	Total
	Land	For self-use	For leasing	Subtotal	For self-use	For leasing	Subtotal		
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)
	<u>\$ 2,342,146</u>	<u>\$ 1,942,111</u>	<u>\$ -</u>	<u>\$ 1,942,111</u>	<u>\$1,747,255</u>	<u>\$ -</u>	<u>\$1,747,255</u>	<u>\$ 297,501</u>	<u>\$6,329,013</u>
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	<u>\$ 2,337,851</u>	<u>\$ 1,655,422</u>	<u>\$ -</u>	<u>\$ 1,655,422</u>	<u>\$1,335,361</u>	<u>\$ 579</u>	<u>\$1,335,940</u>	<u>\$ 218,321</u>	<u>\$5,547,534</u>
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)
	<u>\$ 2,337,851</u>	<u>\$ 1,655,422</u>	<u>\$ -</u>	<u>\$ 1,655,422</u>	<u>\$1,335,361</u>	<u>\$ 579</u>	<u>\$1,335,940</u>	<u>\$ 218,321</u>	<u>\$5,547,534</u>

	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)
	<u>\$ 2,437,400</u>	<u>\$2,252,221</u>	<u>\$4,028,204</u>	<u>\$ 182,510</u>	<u>\$8,900,335</u>
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	<u>4,766</u>	<u>(5,056)</u>	<u>41,038</u>	<u>4,405</u>	<u>45,153</u>
December 31	<u>\$ 2,342,146</u>	<u>\$1,942,111</u>	<u>\$1,747,255</u>	<u>\$ 297,501</u>	<u>\$6,329,013</u>
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)
	<u>\$ 2,342,146</u>	<u>\$1,942,111</u>	<u>\$1,747,255</u>	<u>\$ 297,501</u>	<u>\$6,329,013</u>

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	<u>\$ 323</u>	<u>\$ 848</u>
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) For 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:

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

	<u>2020</u>			<u>2019</u>		
	<u>Depreciation expenses</u>			<u>Depreciation expenses</u>		
	<u>For self-use</u>	<u>For leasing</u>	<u>Total</u>	<u>For self-use</u>	<u>For leasing</u>	<u>Total</u>
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,147</u>	<u>-</u>	<u>7,147</u>
	<u>\$75,160</u>	<u>\$7,921</u>	<u>\$83,081</u>	<u>\$55,681</u>	<u>\$2,748</u>	<u>\$58,429</u>

- 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:

	<u>2020</u>	<u>2019</u>
<u>Items that affect profit or loss</u>		
Interest expenses on lease liabilities	\$ 3,293	\$ 1,594
Less: Interest expenses on lease liabilities of discontinued operations	<u>-</u>	<u>(621)</u>
	<u>\$ 3,293</u>	<u>\$ 973</u>
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	<u>\$ 40</u>	<u>\$ -</u>

- 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)
	<u>\$ 71,897</u>	<u>\$ 302,521</u>	<u>\$ 374,418</u>
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	<u>\$ 71,897</u>	<u>\$ 554,248</u>	<u>\$ 626,145</u>
December 31			
Cost	\$ 71,897	\$ 1,223,006	\$ 1,294,903
Accumulated depreciation	-	(668,758)	(668,758)
	<u>\$ 71,897</u>	<u>\$ 554,248</u>	<u>\$ 626,145</u>

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

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	<u>\$ 32,045</u>	<u>\$ 33,392</u>
Direct operating expenses incurred by investment property generating rental revenue in the current period	<u>\$ 6,141</u>	<u>\$ 7,067</u>
Direct operating expenses incurred by investment property not generating rent revenue in current period	<u>\$ 13,759</u>	<u>\$ 6,396</u>

- 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.

1. 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)	-
	<u>\$ 8,407</u>	<u>\$ -</u>	<u>\$ 1,568,418</u>	<u>\$ -</u>

- 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)	-
	<u>\$ 8,407</u>	<u>\$ -</u>	<u>\$ 1,586,418</u>	<u>\$ -</u>

- 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:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
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	<u>75,551</u>	<u>12,259</u>
	<u>\$ 1,276,528</u>	<u>\$ 39,070</u>

- a) The Group sold 67% of the equity of Benmeng 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:

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

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other payables	\$ -	\$ 273
Other current liabilities	-	147,171
	<u>\$ -</u>	<u>\$ 147,444</u>

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Adjustments to foreign currency translation	<u>\$ -</u>	<u>\$ 23,709</u>

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:

	<u>2019</u>
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	<u>\$ 10,221</u>

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

	<u>2019</u>
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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
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	<u>634,897</u>	<u>666,676</u>
	<u>\$ 666,123</u>	<u>\$ 746,923</u>

o. Short-term borrowings

<u>Nature of borrowings</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Borrowings from financial Institutions		
Secured borrowings	\$ 210,000	\$ 56,000
Credit borrowings	132,676	150,000
Borrowings for raw material purchase	<u>10,341</u>	<u>-</u>
	<u>\$ 353,017</u>	<u>\$ 206,000</u>
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

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

- 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:

	<u>December 31, 2019</u>	
<u>Derivative financial liabilities</u>	<u>Nominal principal</u>	<u>Contract period</u>
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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
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	<u>396,055</u>	<u>475,703</u>
	<u>\$ 1,127,022</u>	<u>\$ 1,218,841</u>

r. Long-term borrowings

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Borrowings from financial Institutions		
Secured borrowings	\$1,695,000	\$2,026,000
Credit borrowings	235,000	334,460
Long-term notes	<u>200,000</u>	=
	2,130,000	2,360,460
Less: Long-term loans due within one year or one operating cycle	<u>(541,000)</u>	<u>(875,460)</u>
	<u>\$1,589,000</u>	<u>\$1,485,000</u>
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 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:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Due in more than one year	<u>\$ 950,000</u>	<u>\$ 373,000</u>

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:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
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)	<u>\$ 123,770</u>	<u>\$ 199,923</u>

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

	<u>2020</u>		
	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	<u>2,556</u>	<u>(1,037)</u>	<u>1,519</u>
	<u>301,724</u>	<u>(167,854)</u>	<u>133,870</u>
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	<u>(7,393)</u>	<u>-</u>	<u>(7,393)</u>
	<u>761</u>	<u>(5,497)</u>	<u>(4,736)</u>
Pension contributed	-	(22,762)	(22,762)
Pension paid	(42,444)	42,444	-
Effect of disposal of subsidiaries	<u>(1,444)</u>	<u>18,842</u>	<u>17,398</u>
December 31	<u>\$ 258,597</u>	<u>(\$ 134,827)</u>	<u>\$ 123,770</u>

	<u>2019</u>		
	<u>Present value of</u> <u>defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit</u> <u>liabilities</u>
January 1	\$ 412,491	(\$ 182,305)	\$ 230,186
Service cost for the current period	1,070	-	1,070
Interest (expense) revenue	<u>3,750</u>	<u>(1,705)</u>	<u>2,045</u>
	<u>417,311</u>	<u>(184,010)</u>	<u>233,301</u>
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	<u>(15,828)</u>	<u>-</u>	<u>(15,828)</u>
	<u>(8,833)</u>	<u>(6,427)</u>	<u>(15,260)</u>
Pension contributed	-	(18,118)	(18,118)
Pension paid	<u>(41,738)</u>	<u>41,738</u>	<u>-</u>
December 31	<u>\$ 366,740</u>	<u>(\$ 166,817)</u>	<u>\$ 199,923</u>

- 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	<u>0.3~0.4%</u>	<u>0.7~0.8%</u>
Rate of future salary increase	<u>1.0~2.5%</u>	<u>1.0~2.5%</u>

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 <u>0.25~1.00%</u>	Decrease <u>0.25~1.00%</u>	Increase <u>0.25~1.00%</u>	Decrease <u>0.25~1.00%</u>
December 31, 2020				
The effects on the present value of defined benefit obligations	<u>(\$ 5,260)</u>	<u>\$ 5,339</u>	<u>\$ 4,650</u>	<u>(\$ 4,434)</u>
December 31, 2019				
The effects on the present value of defined benefit obligations	<u>(\$ 8,087)</u>	<u>\$ 8,371</u>	<u>\$ 7,337</u>	<u>(\$ 7,316)</u>

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	<u>70,286</u>
	<u>\$ 177,685</u>

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, Yongxing Multimedia 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 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	<u>(\$ 903)</u>	<u>\$ 5,051</u>

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	-	<u>(48,110,000)</u>
December 31	<u>1,158,881,200</u>	<u>1,158,881,200</u>

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. Capital surplus

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	<u>\$ 2,625,548</u>	<u>\$ 5,014,346</u>	<u>\$ 1,070</u>	<u>\$ 77</u>	<u>\$ 1,922</u>	<u>\$ 7,642,963</u>
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	<u>\$ 2,683,492</u>	<u>\$ 5,014,346</u>	<u>\$ 458</u>	<u>\$ 77</u>	<u>\$ 1,922</u>	<u>\$ 7,700,295</u>

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 may 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	<u>173,832</u>	\$ 0.15
	<u>\$ 195,211</u>	

- 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	-
	<u>\$ 129,554</u>	

- 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	<u>(\$245,128)</u>	<u>(\$161,005)</u>	<u>\$ -</u>	<u>(\$406,133)</u>

	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	<u>(\$121,927)</u>	<u>(\$130,722)</u>	<u>(\$ 23,709)</u>	<u>(\$276,358)</u>

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)
	<u>\$ 9,401,027</u>	<u>\$ 7,045,247</u>

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
	<u>\$8,627,234</u>	<u>\$ 328,474</u>	<u>\$ 445,319</u>	<u>\$9,401,027</u>

	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	<u>\$5,502,143</u>	<u>\$ 439,323</u>	<u>\$ 689,918</u>	<u>\$6,631,384</u>

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	<u>8,831</u>	<u>12,978</u>	<u>22,910</u>
Total	<u>\$ 85,641</u>	<u>\$ 245,282</u>	<u>\$ 130,143</u>

- 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	<u>\$ 102,535</u>	<u>\$ 123,204</u>

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	<u>-</u>	<u>(202)</u>
	<u>\$ 16,470</u>	<u>\$ 18,154</u>

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	<u>-</u>	<u>(166)</u>
	<u>\$ 279,870</u>	<u>\$ 1,920,351</u>

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	<u>(12,879)</u>	<u>(47,724)</u>
	277,150	(1,607,780)

Add: Other losses of discontinued operations	-	20,656
	<u>\$ 277,150</u>	<u>(\$ 1,587,124)</u>

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	<u>1,266</u>	<u>9,282</u>
	49,922	46,302
Less: Amount qualified for capitalization	(323)	(848)
Finance costs attributable to discontinued operations	<u>-</u>	<u>(494)</u>
	<u>\$ 49,599</u>	<u>\$ 44,960</u>

dd. Employee benefit, depreciation, and amortization expenses

Function	Operating costs	2020 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

Function	Operating costs	2019 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	<u>4,076</u>	<u>515</u>
Income tax expense	<u>\$ 104,723</u>	<u>\$ 2,163</u>

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	<u>\$ 373</u>	<u>(\$ 3,253)</u>

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	<u>15,404</u>	<u>(362,155)</u>
	104,723	2,007
Add: Gains on income tax of the discontinued operations	<u>-</u>	<u>156</u>
Income tax expense	<u>\$ 104,723</u>	<u>\$ 2,163</u>

- 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	<u>157,690</u>	<u>57,982</u>	<u>-</u>	<u>(866)</u>	<u>-</u>	<u>214,806</u>
Subtotal	<u>\$515,798</u>	<u>(\$27,268)</u>	<u>\$ 369</u>	<u>(\$ 866)</u>	<u>\$ -</u>	<u>\$488,033</u>
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	<u>(2,916)</u>	<u>(566)</u>	<u>4</u>	<u>-</u>	<u>2,875</u>	<u>(603)</u>
Subtotal	<u>(\$ 100,339)</u>	<u>\$ 576</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$2,875</u>	<u>(\$ 96,884)</u>
Total	<u>\$ 415,459</u>	<u>(\$26,692)</u>	<u>\$ 373</u>	<u>(\$ 866)</u>	<u>\$2,875</u>	<u>\$391,149</u>

	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	<u>184,474</u>	<u>(26,951)</u>	<u>-</u>	<u>167</u>	<u>-</u>	<u>157,690</u>
Subtotal	<u>\$520,645</u>	<u>(\$ 7,717)</u>	<u>(\$ 3,157)</u>	<u>\$ 43</u>	<u>\$5,984</u>	<u>\$515,798</u>
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	<u>(3,168)</u>	<u>348</u>	<u>(96)</u>	<u>-</u>	<u>-</u>	<u>(2,916)</u>
Subtotal	<u>(\$108,974)</u>	<u>\$ 8,731</u>	<u>(\$ 96)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$100,339)</u>
Total	<u><u>\$411,671</u></u>	<u><u>\$ 1,014</u></u>	<u><u>(\$ 3,253)</u></u>	<u><u>\$ 43</u></u>	<u><u>\$5,984</u></u>	<u><u>\$415,459</u></u>

- 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:

<u>December 31, 2020</u>				
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	<u>645,220</u>	<u>643,185</u>	2025–2040
		<u>\$15,818,614</u>	<u>\$14,793,595</u>	

<u>December 31, 2019</u>				
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	<u>840,199</u>	<u>670,221</u>	2024–2039
		<u>\$20,480,415</u>	<u>\$19,478,359</u>	

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Deductible temporary differences	<u>\$11,974,907</u>	<u>\$13,673,666</u>

- 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:

	<u>Status of approval</u>
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, Zhong Jia, 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\$)
<u>Basic earnings per share</u>			
Current net profit attributable to ordinary shareholders of the parent company	\$ 111,073	\$ 1,158,881	\$ 0.10
<u>Diluted earnings per share</u>			
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\$)
<u>Basic earnings per share</u>			
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	<u>\$ 228,705</u>	"	<u>\$ 0.20</u>
<u>Diluted earnings per share</u>			
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	<u>-</u>	<u>373</u>	
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	<u>\$ 228,705</u>	"	<u>\$ 0.20</u>

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:

	<u>December 31, 2019</u>
Consideration for the acquisition	
Cash	\$ 689,770
Other payables	<u>397,927</u>
	<u>\$ 1,087,697</u>
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	<u>(488)</u>
Total net identifiable assets	<u>\$ 2,844,185</u>
	(\$ 1,756,488)
Effect of exchange rate	<u>53,983</u>
Gains on bargain purchase	<u><u>(\$ 1,810,471)</u></u>

- 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	<u>\$ 65,783</u>	<u>\$ 13,037</u>

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	<u>\$ 104,341</u>	<u>\$ 212,590</u>

- 2) The Group sold 100% of Zhonghong and 67% of Benmeng'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	<u>\$ 478,291</u>
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	<u>\$ 220,228</u>
	258,063
Effect of exchange rate	(26,628)
Gains on disposal	<u>\$ 231,435</u>

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	<u>\$353,017</u>	<u>\$ 2,130,000</u>	<u>\$250,449</u>	<u>\$2,733,466</u>

	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	<u>\$206,000</u>	<u>\$ 2,360,460</u>	<u>\$112,136</u>	<u>\$2,678,596</u>

7. Related-Party Transactions

a. Name of the related party and relationship

<u>Name of related party</u>	<u>Relationship with the Group</u>
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
	<u>\$ 2,218</u>	<u>\$ 6,806</u>

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

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

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	<u>\$ 1,217</u>	<u>\$ 363</u>

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
	<u>\$ 76,133</u>	<u>\$ 41,584</u>

8. Pledged Assets

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

<u>Asset items</u>	<u>Carrying amount</u>		<u>Purpose of collateral</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>	
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	"
	<u>\$ 4,949,153</u>	<u>\$ 4,145,502</u>	

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

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

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
<u>Financial assets</u>		
Financial assets at fair value through profit or loss (FVTPL)		
Financial assets mandatorily at fair value through profit or loss	<u>\$7,284,389</u>	<u>\$6,293,929</u>
Financial assets at fair value through other comprehensive income (FVTOCI)		
Investment in designated equity instruments selected	<u>\$ 369,487</u>	<u>\$ 427,196</u>
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)	<u>26,037</u>	<u>30,057</u>
	<u>\$6,100,802</u>	<u>\$6,274,790</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trade	<u>\$ -</u>	<u>\$ 670</u>
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)	<u>63,507</u>	<u>63,507</u>
	<u>\$4,565,979</u>	<u>\$4,916,937</u>
Lease liabilities	<u>\$ 250,449</u>	<u>\$ 112,136</u>

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)			
<u>Financial assets</u>			
<u>Monetary items</u>			
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
<u>Financial liabilities</u>			
<u>Monetary items</u>			
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)			
<u>Financial assets</u>			
<u>Monetary items</u>			
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
<u>Financial liabilities</u>			
<u>Monetary items</u>			
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)			
<u>Financial assets</u>			
<u>Monetary items</u>			
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	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
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)			
<u>Financial assets</u>			
<u>Monetary items</u>			
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	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
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.

Interest rate risk of cash flow and fair value

- 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
<u>December 31,</u>				
<u>2020</u>				
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
Overdue 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
		<u>\$ 1,531,349</u>	<u>(\$119,609)</u>	<u>\$ 1,411,740</u>

	Expected loss rate	Total carrying amount	Loss allowance	Total
<u>December</u> <u>31, 2019</u>				
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%		<u>11,478</u>	<u>(11,478)</u>	<u>-</u>
		<u>\$1,652,597</u>	<u>(\$39,574)</u>	<u>\$1,613,023</u>

- (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:

	<u>2020</u> 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	<u>(201)</u>	<u>-</u>	<u>-</u>	<u>(201)</u>
December 31	<u>\$206,311</u>	<u>\$ 67,915</u>	<u>\$ 78,069</u>	<u>\$ 352,295</u>

	<u>2019</u>			
	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	<u>18,174</u>	<u>-</u>	<u>-</u>	<u>18,174</u>
December 31	<u>\$118,581</u>	<u>\$578,960</u>	<u>\$ 77,564</u>	<u>\$ 775,105</u>

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				
<u>Non-derivative financial liabilities:</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
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

<u>Non-derivative financial liabilities:</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
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
<u>Derivative financial liabilities:</u>				
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	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				

<u>Fair value on a recurring basis</u>				
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	<u>\$ 7,254,856</u>	<u>\$ 301</u>	<u>\$ 398,719</u>	<u>\$ 7,653,876</u>

December 31, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Fair value on a recurring basis</u>				
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	<u>\$ 6,263,244</u>	<u>\$ -</u>	<u>\$ 457,881</u>	<u>\$ 6,721,125</u>

LiabilitiesFair value on a
recurring basisFinancial
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:

	<u>2020</u>	<u>2019</u>
	<u>Equity instruments</u>	<u>Equity instruments</u>
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	<u>\$ 398,719</u>	<u>\$ 457,881</u>

- 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:

	<u>2020</u>				Adjustments and	
	Storage media segment	Other optoelectronics segment	Investment segment	Other segments	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)	-
	<u>\$ 11,026,924</u>	<u>\$ 328,474</u>	<u>\$ -</u>	<u>\$ 551,649</u>	<u>(\$ 2,506,020)</u>	<u>\$ 9,401,027</u>
Profit or loss of segments	<u>\$ 262,474</u>	<u>(\$ 109,015)</u>	<u>(\$ 44,360)</u>	<u>(\$ 163,107)</u>	<u>\$ 178,835</u>	<u>\$ 124,827</u>
Profit or loss of segments includes: Depreciation and amortization	<u>\$ 737,512</u>	<u>\$ 96,946</u>	<u>\$ 1,245</u>	<u>\$ 79,691</u>	<u>(\$ 22,466)</u>	<u>\$ 892,928</u>

	<u>2019</u>					
	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	<u>-</u>	<u>-</u>	<u>-</u>	<u>(100,372)</u>	<u>=</u>	<u>(100,372)</u>
	<u>\$ 6,064,513</u>	<u>\$ 439,323</u>	<u>\$ 413,863</u>	<u>\$ 731,026</u>	<u>(\$ 603,478)</u>	<u>\$ 7,045,247</u>
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>(43,930)</u>	<u>=</u>	<u>(43,930)</u>
	<u>(\$ 782,496)</u>	<u>(\$ 903,405)</u>	<u>\$ 2,265,098</u>	<u>(\$ 432,415)</u>	<u>\$ 20,804</u>	<u>\$ 167,586</u>
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,699)</u>	<u>-</u>	<u>(8,699)</u>
	<u>\$ 892,979</u>	<u>\$ 223,881</u>	<u>\$ 1,724</u>	<u>\$ 123,060</u>	<u>(\$ 22,567)</u>	<u>\$ 1,219,077</u>

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

	<u>2019</u>					
	Storage media	Other optoelectronics			Adjustments and	
	segment	segment	Investment segment	Other segments	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)
	<u>\$ 13,819</u>	<u>\$ 21,407</u>	<u>\$ -</u>	<u>\$ 38,623</u>	<u>(\$ 22,567)</u>	<u>\$ 51,282</u>

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:

	<u>2020</u>		<u>2019</u>	
	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	<u>\$9,401,027</u>	<u>\$7,222,224</u>	<u>\$7,045,247</u>	<u>\$7,705,846</u>

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.

TABLE 1

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	Related	Highest Amount of	Ending Balance (Note 14)	Actual Amount Drawn	Range of	Type of	Amount of Transaction	Reason for	Loss Allowance	Collateral		Limit for Individual	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	\$-	Movable	\$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	-	-	-	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	-	-	-	68,773	68,773	Note 8
2	EMCH	Yongxing Multimedia	Other receivables	Y	250,090	250,090	250,090	0	2	-	Working	-	-	-	557,202	1,485,871	Note 10
2	EMCH	VJP	Other receivables	Y	28,110	27,250	27,250	0	2	-	Working	-	-	-	557,202	1,485,871	Note 10
3	SuperNet	FJKL	Other receivables	N	10,612	-	-	0	2	-	Working	-	-	-	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	-	-	-	47,609	47,609	Note 8
5	CMC Entertainment	Asia 1 Entertainment	Other receivables	Y	10,000	-	-	1.17	2	-	Working	-	-	-	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	-	25	-	2,808	154,578	Notes 12 and 16
7	Zhong Jia	Asia 1 Entertainment	Other receivables	Y	280,000	220,000	217,000	1.5	2	-	Working	-	-	-	300,000	1,487,698	Note 9
8	VAU	VHK	Other receivables	Y	45,308	-	-	2.328	2	-	Working	-	-	-	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)

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

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)
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	Number of Shares	End of Period		Fair Value	Remarks
					Carrying Amount (Note 2)	Shareholding Percentage (%)		
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.

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)
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			Fair Value	Remarks
				Number of Shares	Carrying Amount (Note 2)	Shareholding Percentage (%)		
Zhong Jia	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		<u>278,167</u>		<u>-</u>	
					<u>\$ 724,436</u>		<u>\$ 724,436</u>	
	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		<u>(45,930)</u>		<u>-</u>	
					<u>\$ 1,763,790</u>		<u>\$ 1,763,790</u>	
	Stock of Orgchem Technologies, Inc.		Financial assets at FVTOCI - non-current		\$ 123,652			
			Adjustment to valuation		<u>(44,049)</u>			
					<u>\$ 79,603</u>		<u>\$ 79,603</u>	

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

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

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 4

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)

Trading	Type and Name of Securities	General Ledger Account	Counterparty	Relationship	Number of	Amount	Acquired (Note 3)		Sold (Note 3)			End of Period		
							Number of	Amount	Number of	Selling Price	Book Cost	Gains or Losses	Number of	Amount
The Company	Stock of Taiwan High Speed	Financial assets at FVTPL -	-	-	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	Financial assets at FVTPL -	-	-	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	"	-	-	-	-	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	"	-	-	-	-	8,165	672,485	8,165	657,214	672,485	(15,271)	-	-
	Stock of Taiwan	"	-	-	-	-	9,403	3,647,722	9,403	3,739,165	3,647,722	91,443	-	-
	Stock of Fubon Financial	"	-	-	-	-	14,796	620,025	14,796	617,642	620,025	(2,383)	-	-
	Stock of Cathay Financial	"	-	-	-	-	10,660	423,194	10,660	423,358	423,194	164	-	-
	Stock of CTBC Financial	"	-	-	-	-	16,729	337,793	16,729	326,623	337,793	(11,170)	-	-
	Stock of First Financial	"	-	-	-	-	20,311	436,188	20,311	444,571	436,188	8,383	-	-
	Stock of Largan Precision	"	-	-	-	-	1,509	5,129,684	1,361	4,619,085	4,639,958	(20,873)	148	489,726
	Stock of the Shanghai	"	-	-	-	-	10,318	431,971	10,318	431,373	431,971	(598)	-	-
	Stock of Globalwafers. Co.,	"	-	-	-	-	1,947	793,642	1,947	780,609	793,642	(13,033)	-	-
Zhong Jia	Stock of Tatung Company	Financial assets at FVTPL -	-	-	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 -	-	-	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		Carrying amount	Transaction Amount	Proceeds Collection	Gains or Losses on		Counterparty	Relationship	Basis or Reference for		
			Date					Disposal				Purpose of Disposal	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			Notes/Trade Receivable (Payable)		Remarks (Note2)
			Purchase (Sale)	Amount	Proportion to Total	Credit Period	Unit Price	Credit Period	Balance	Proportion to Total	
The Company	Yongxing	Subsidiary of	Purchase	\$118,425	6%	As it is between	Equivalent to	As it is between	\$4,761	1%	
"	"	"	Sale	173,692	4%	"	"	"	86,387	7%	
"	VJP	Sub-subsidiary	Sale	987,241	25%	No significant	"	No significant	491,102	42%	
"	VUS	"	Sale	457,972	12%	"	"	"	78,469	7%	
"	VGmbH	"	Sale	342,493	9%	"	"	"	57,310	5%	
VHK	Yongxing	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.

TABLE 7

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	Yongxing Multimedia	Sub-subsidiary	250,090	Note 2	-	-	-	-
Zhong Jia	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.

TABLE 8

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)	General Ledger Account	Transaction Details		Proportion to Total
					Amount (Note 7)	Transaction Conditions	Consolidated Revenue or
							Assets (Note 3)
0	The Company	Yongxing Multimedia	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	Yongxing Multimedia	1	Other receivables	250,090	Note 6	1.01%
2	Zhong Jia	Asia 1 Entertainment	3	Other receivables	217,000	Note 6	0.87%
3	VHK	Yongxing Multimedia	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 Yongxing Multimedia. In addition to the payment terms of Yongxing Multimedia, 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	Location	Principal Business	Original Investment Cost		Shares Held at the End of Period			Profit or Loss on	Investment Gains or	Remarks
				End of Current Period	End of Last Year	Number of Shares	Percentage	Carrying amount			
The	EMCH	Cayman	Professional investment	\$ 10,453,855	\$ 10,453,855	61,527	100.00	\$ 3,605,849	\$290,276	\$396,279	Subsidiary of
"	CIA	Cayman	Professional investment	872,018	872,018	29,688,245	86.35	408,452	(10,277)	(8,874)	"
"	Zhong Jia	Taiwan	Investment in various	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	Taiwan	Film distribution, video	856,125	856,125	11,868,528	93.59	(246,401)	(10,763)	(10,073)	"
"	Benmeng	Taiwan	Dyeing and finishing of	-	1,709,291	-	-	-	-	(834)	Note 4
"	CMC	Taiwan	Film production and	714,888	714,888	66,400,000	100.00	50,754	7,932	7,932	Subsidiary of
"	Transtouch	Taiwan	Production and sales of	515,768	515,768	15,353,223	52.60	376,723	(32,645)	(16,047)	"
"	Sun Well	Taiwan	Production and sales of	3,516,412	3,516,412	154,991,112	98.82	(848,093)	(74,565)	(73,685)	"
"	Sun Q	Taiwan	Production and sales of	664,676	664,676	64,052,000	58.20	(22,310)	(1,806)	(1,051)	"
"	Deltamac	Taiwan	Sales of audio-visual CD	377,635	377,635	14,892,015	38.91	176,181	2,428	66	"
"	CMC	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	3,704,046	2,346,049	23,464	100.00	1,456,356	(38,442)	-	Sub-subsidiary
"	MFLLC	U.S.	Professional investment	1,283,980	1,283,980	-	100.00	360,576	(69,213)	-	"
"	Jet-Thai	Thailand	Production and sales of	4,207,638	4,207,638	49,200,416	100.00	559,684	215,506	-	"

Investor	Name of Investee	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	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
"	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
"	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
"	Others	Others		-	-	-	-	78,516	-	-	Note 3
Zhong Jia	CIA	Cayman Islands	Professional investment company	111,185	111,185	4,692,049	13.65	95,870	(10,277)	-	Subsidiary of the Company
"	Benmeng	Taiwan	Dyeing and finishing of cloth, weaving, processing, and trading of various textiles, as well as	-	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
"	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	Principal	Paid-in Capital	Investment	Accumulated	Amount of Investment Remitted		Accumulated	Current Profit or	The	Investment	Carrying	Accumulated	Remarks
					Remitted to Mainland China	Remitted back to Taiwan							
Jiangsu	Production	\$1,345,476	2	\$1,345,476	\$-	\$-	1,345,476	(\$ 82,930)	97	(\$80,442)	\$378,954	\$-	Note 2(2)B
Jiangsu	Production	777,852	2	777,852	-	-	777,852	(7,680)	100	(7,680)	119,023	-	Note 2(2)B
Nantong	Production	35,678	2	35,678	-	-	35,678	(14)	49	(7)	7,891	-	Note 2(2)B
Sun	R&D and	14,786	2	14,786	-	-	14,786	1,686	50	843	(21,833)	-	Note 2(2)B
Company	Accumulated Outward		Investment Amount		Limit on Investment Amount								
CMC	\$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.

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TABLE 11**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.

V. A Parent Company Only Financial Statement for the Most Recent Fiscal Year, Certified by CPAs

Independent Auditors' Report

(2021) Order Cai-Shen-Pao No. 20004289

To CMC Magnetics Corporation,

Audit Opinion

We have reviewed the accompanying parent company alone balance sheets of CMC Magnetics Corporation (the “Company”) for the years ended December 31, 2020 and 2019 and the relevant parent company alone 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 parent company only financial statements)”.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019 and for the years then ended, and its standalone financial performance and its standalone cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers 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 Parent Company Only Financial Statements section of this report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our 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 parent company only financial statements of the Company 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 parent company only 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 parent company only financial statements of the Company for the year ended December 31, 2020 are stated as follows

Accounting estimation of inventory valuation

Description

Refer to Note 4(12) to the parent company only financial statements for accounting policies regarding inventory valuation; Note 5(2) for uncertainty of accounting estimates and assumptions regarding inventory valuation; and Note 6(6) for details of inventory accounting titles.

The Company 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 Company's inventory is significant and there are many items that require manual judgment of obsolescence of inventories, we have listed the estimate of the Company's allowance for inventory valuation losses as one of the key audit matters for the current year.

Corresponding audit procedures

This matter covers the Company and some of its subsidiaries (investments accounted for using the equity method). Our major audit procedures executed are as follows:

1. Assess the policy adopted for its allowance for valuation loss on its inventories based on the understanding of the Company'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 Company, 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(14) and 4(19) of the parent company only 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 parent company only financial statements; for the description of impairment accounting items of property, plant and equipment and non-financial assets, please refer to Notes 6(8) and 6 (11) of the parent company only financial statements.

The Company 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 Company's property, plant and equipment as one of the key audit items for the current year.

Corresponding audit procedures

This matter covers the Company and some of its subsidiaries (investments accounted for using the equity method). Our major audit procedures executed 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 parent company only financial statements of the Company 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 parent company only financial statements mentioned above are based on the audit report from other CPAs. The amount of investment in the aforementioned companies using the equity method as of December 31, 2020 and 2019 was NT\$2,020,878 thousand and NT\$2,954,517 thousand, respectively, accounting for 8.62% and 12.24% of total assets, respectively. For the year ended December 31, 2020 and 2019, the comprehensive income recognized for the aforementioned companies was NT\$64,122 thousand and NT\$(1,914,014) thousand, respectively, accounting for (143.97%) and (745.99%) of the total comprehensive income, respectively.

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

The responsibilities of the management are to prepare the parent company only financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, 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 parent company only financial statements, the management is responsible for assessing the ability of the Company in continuing as a going concern, disclosing relevant matters, and adopting the going concern basis of accounting unless the management intends to liquidate the Company or cease the operations without other viable alternatives.

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

Auditor's responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance on whether the parent company only 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 parent company only 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 assess the risks of material misstatement arising from fraud or error within the parent company only financial statements; design and execute appropriate countermeasures in response to said risks, and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error.
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 Company's internal control.
3. Evaluate the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by the management.
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 Company's ability to continue as a going concern. If we are of the opinion that a material uncertainty exists for said events or conditions, we shall remind users of the parent company only financial statements to pay attention to relevant disclosures in said statements within our audit report. If such disclosures are inadequate, we need to modify our opinion. Our conclusions is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the parent company only financial statements (including relevant notes), and whether the parent company only financial statements adequately present the relevant transactions and events.

6. Obtain sufficient and appropriate audit evidence concerning the financial information of entities within the Company, to express an opinion on the parent company only financial statements. We are responsible for guiding, supervising, and performing the audit and forming an audit opinion on the Company.

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 Company's parent company only 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

Parent Company Only Balance Sheet For the Years Ended December 31, 2020 and 2019 Unit: NT\$ thousands

Assets		Notes	December 31, 2020		December 31, 2019	
			Amount	%	Amount	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 759,771	3	\$ 1,101,394	5
1110	Financial assets at fair value through profit or loss - current	6(2)	3,303,756	14	3,267,508	13
1136	Financial assets at amortized cost - current	8	2,400	-	8,400	-
1150	Notes receivable, net	6(4)	242	-	1,094	-
1160	Notes receivable - related parties, net	7	-	-	4,330	-
1170	Net trade receivables	6(4)(5)	392,301	2	935,139	4
1180	Trade receivables - related parties, net	7	763,224	3	275,234	1
1200	Other receivables	6(5)	166,492	1	154,109	1
1210	Other receivables from related parties	7	1,416,015	6	1,879,346	8
130X	Inventories	6(6)	1,140,733	5	1,147,662	5
1479	Other current assets - others		47,117	-	93,233	-
11XX	Total current assets		7,992,051	34	8,867,449	37
Non-current assets						
1510	Financial assets at fair value through profit or loss - non-current	6(2) and 8	1,304,456	6	365,000	2
1517	Financial assets at fair value through other comprehensive income - non-current	6(3) and 7	47,441	-	32,160	-
1550	Investments accounted for using the equity method	6(7), 7, and 8	8,345,991	36	8,642,496	36
1600	Property, plant and equipment	6(8)(11), 7, and 8	4,235,057	18	4,840,399	20
1755	Right-of-use assets	6(9)	11,841	-	22,265	-
1760	Investment properties, net	6(10) and 8	759,485	3	531,472	2
1780	Intangible assets	7	93,161	-	105,379	-
1840	Deferred income tax assets	6(26)	217,821	1	248,585	1
1900	Other non-current assets	6(12) and 7	432,449	2	475,301	2
15XX	Total non-current assets		15,447,702	66	15,263,057	63
1XXX	Total assets		\$ 23,439,753	100	\$ 24,130,506	100

(Continued on the next page)

Liabilities and equity		Notes	December 31, 2020		December 31, 2019	
			Amount	%	Amount	%
Current liabilities						
2100	Short-term borrowings	6(13)	110,341	1	150,000	1
2130	Contract liabilities – current	6(20)	53,173	-	77,431	-
2150	Notes payable		86,349	-	321,338	1
2170	Trade payables		342,211	2	205,175	1
2180	Trade payables - related parties	7	7,365	-	7,749	-
2200	Other payables		415,098	2	300,556	1
2220	Other receivables - related parties	7	25,591	-	89,087	-
2280	Lease liabilities - current		9,957	-	11,686	-
2320	Long-term liabilities due within one year or one operating cycle	6(14) and 8	541,000	2	875,460	4
2399	Other current liabilities - others		15,027	-	35,369	-
21XX	Total current liabilities		1,606,112	7	2,073,851	8
Non-current liabilities						
2540	Long-term borrowings	6(14) and 8	1,589,000	7	1,485,000	6
2570	Deferred income tax liabilities	6(26)	21,397	-	21,954	-
2580	Lease liabilities - non-current		1,977	-	10,638	-
2600	Other non-current liabilities	6(7)(15)	1,244,692	5	1,312,521	6
25XX	Total non-current liabilities		2,857,066	12	2,830,113	12
2XXX	Total liabilities		4,463,178	19	4,903,964	20
Equity						
	Share capital	6(16)				
3110	Common stock		11,588,812	50	11,588,812	48
	Capital surplus	6(17)				
3200	Capital surplus		7,642,963	32	7,700,295	32
	Retained earnings	6(18)				
3310	Legal reserve		21,379	-	-	-
3350	Retained earnings		129,554	1	213,793	1
	Other equity					
3400	Other equity	6(19)	406,133	2	276,358	1
3XXX	Total equity		18,976,575	81	19,226,542	80
	Significant contingent liabilities and unrecognized contractual commitments	6(14), 7, and 9				
	Material events after the balance sheet date	11				
3X2X	Total liabilities and equity		23,439,753	100	24,130,506	100

The notes attached are part of the Parent Company Only Financial Statements, and shall be read together.

Chairman: Wong, Ming-Sen

Manager: Wong, Ming-Sen

Accounting Manager: Pi-yin Yang

CMC Magnetism Corporation

Parent Company Only Statement of Comprehensive Income

For the Years Ended December 31, 2020 and 2019

Unit: NT\$ thousands, except for earnings per share

	Items	Notes	2020		2019	
			Amount	%	Amount	%
4000	Operating revenue	6(20) and 7	\$ 3,935,194	100	\$ 5,504,373	100
5000	Operating costs	6(6)(15)(25) and 7	(3,286,936)	(83)	(4,616,614)	(84)
5900	Gross operating profit		648,258	17	887,759	16
5910	Unrealized (gains) losses on sales		(108,828)	(3)	2,780	-
5920	Realized losses on sales		(2,780)	-	(2,022)	-
5950	Gross operating profit, net		536,650	14	888,517	16
	Operating expenses	6(15)(25)				
6100	Selling and marketing expenses		(234,321)	(6)	(219,728)	(4)
6200	Administrative expenses		(130,572)	(3)	(140,471)	(2)
6300	Research and development expenses		(219,738)	(6)	(204,830)	(4)
6450	Expected credit impairment (losses) gains	12(2)	(72,988)	(2)	5,022	-
6000	Total operating expenses		(657,619)	(17)	(560,007)	(10)
6900	Operating (losses) gains		(120,969)	(3)	328,510	6
	Non-operating income and expenses					
7100	Interest revenue	6(21) and 7	27,937	1	24,043	-
7010	Other income	6(22) and 7	212,007	6	115,028	2
7020	Other gains and losses	6(2)(23)	(183,729)	(5)	33,718	1
7050	Finance costs	6(24)	(41,583)	(1)	(42,992)	(1)
7070	Share of profit (loss) on subsidiaries, associates, and joint ventures accounted for using equity method		247,919	6	(219,993)	(4)
7000	Total non-operating income and expenses		262,551	7	90,196	(2)
7900	Net income before tax		141,582	4	238,314	4
7950	Income tax expense	6(26)	(30,509)	(1)	(9,609)	-
8200	Net profit		\$ 111,073	3	\$ 228,705	4
	Other comprehensive income, net					
	Items that will not be reclassified to profit or loss					
8311	Remeasurement of defined benefit plans	6(15)	(\$ 1,843)	-	\$ 14,009	-
8316	Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	6(3)(19)	17,215	-	11,128	-
8330	Share of other comprehensive income on subsidiaries, associates, and joint ventures accounted for using the equity method – not reclassified to profit or loss		(45,997)	(1)	35,959	1
8349	Income tax related to items that will not be reclassified	6(26)	241	-	(3,012)	-
8310	Sum of items that will not be reclassified to profit or loss		(30,384)	(1)	58,084	1
	Items that may be reclassified subsequently to profit or loss					
8361	Exchange differences on translating the financial statements of foreign operations	6(19)	(124,129)	(3)	(10,031)	-
8380	Share of other comprehensive income on subsidiaries, associates, and joint ventures accounted for using the equity method – may be reclassified to profit or loss	6(19)	(1,097)	-	(20,183)	-
8360	Sum of items that may be reclassified subsequently to profit or loss		(125,226)	(3)	(30,214)	-
8500	Total comprehensive income for current period		(\$ 44,537)	(1)	\$ 256,575	5
	Earnings per share	6(27)				
9750	Basic earnings per share		\$ 0.10		\$ 0.20	
9850	Diluted earnings per share		\$ 0.10		\$ 0.20	

The notes attached are part of the Parent Company Only Financial Statements, and shall be read together.

Chairman: Wong, Ming-Sen

Manager: Wong, Ming-Sen

Accounting Manager: Pi-yin Yang

CMC Magnetics Corporation

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

	Notes	Common stock	Capital surplus	Retained earnings		Exchange differences on translating the financial statements of foreign operations	Other equity		Treasury shares	Total
				Legal reserve	Unappropriated earnings (losses to be compensated)		Unrealized gains or losses on financial assets at fair value through other comprehensive income	Equity directly associated with non-current assets held for sale		
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
Net profit		-	-	-	228,705	-	-	-	-	228,705
Other comprehensive income for current period	6(19)	-	-	-	12,047	(6,505)	46,037	(23,709)	-	27,870
Total comprehensive income for current period		-	-	-	240,752	(6,505)	46,037	(23,709)	-	256,575
Capital reduction to offset losses	6(16)	(5,671,352)	-	-	5,671,352	-	-	-	-	-
Treasury stock repurchase	6(16)	-	-	-	-	-	-	-	(72,904)	(72,904)
Cancellation of treasury shares	6(16)(17)	(481,100)	157,093	-	-	-	-	-	324,007	-
Changes in ownership interests in subsidiaries	6(17)	-	355	-	-	-	-	-	-	355
Difference between the equity price of subsidiary actually acquired or disposed of and the book value	6(17)	-	77	-	(23,965)	-	-	-	-	(23,888)
Disposal of equity instruments measured at fair value through other comprehensive income	6(19)	-	-	-	(2,994)	-	2,994	-	-	-
Balance as of December 31, 2019		<u>\$ 11,588,812</u>	<u>\$ 7,700,295</u>	<u>\$ -</u>	<u>\$ 213,793</u>	<u>(\$ 121,927)</u>	<u>(\$ 130,722)</u>	<u>(\$ 23,)</u>	<u>\$ -</u>	<u>\$ 19,226,542</u>
2020										
Balance as of January 1, 2020		\$ 11,588,812	\$ 7,700,295	\$ -	\$ 213,793	(\$ 121,927)	(\$ 130,722)	(\$ 23,)	\$ -	\$ 19,226,542
Net profit		-	-	-	111,073	-	-	-	-	111,073
Other comprehensive income for current period	6(19)	-	-	-	(962)	(125,226)	(29,422)	-	-	(155,610)
Total comprehensive income for current period		-	-	-	110,111	(125,226)	(29,422)	-	-	(44,537)
Appropriation of earnings for 2019: Legal reserve	6(18)	-	-	21,379	(21,379)	-	-	-	-	-
Cash dividends	6(17)	-	(57,944)	-	(173,832)	-	-	-	-	(231,776)
Changes in ownership interests in subsidiaries	6(17)	-	612	-	-	-	-	-	-	612
Disposal of equity instruments measured at fair value through other comprehensive income	6(3)(19)	-	-	-	861	-	(861)	-	-	-
Disposal of subsidiaries		-	-	-	-	2,025	-	23,709	-	25,734
Balance as of December 31, 2020		<u>\$ 11,588,812</u>	<u>\$ 7,642,963</u>	<u>\$ 21</u>	<u>\$ 129,554</u>	<u>(\$ 245,128)</u>	<u>(\$ 161,005)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,976,575</u>

The notes attached are part of the Parent Company Only Financial Statements, and shall be read together.

Chairman: Wong, Ming-Sen

Manager: Wong, Ming-Sen

Accounting Manager: Pi-yin Yang

CMC Magnetics Corporation
Parent Company Only 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
<u>Cash flows from operating activities</u>			
Net income before tax for the period		\$ 141,582	\$ 238,314
Adjustments			
Adjustments for			
Depreciation expenses	6(8)(9)(25)	506,824	548,552
Amortization expenses	6(25)	53,155	40,744
Depreciation expenses not for self-use (listed in other gains and losses)	6(8)(9)(10)(23)	33,835	20,197
Expected credit impairment losses (gains)	12(2)	72,988	(5,022)
Net losses (gains) on financial assets and liabilities at fair value through profit and loss	6(2)(23)	47,879	(74,679)
Interest expenses	6(24)	40,318	33,710
Interest revenue	6(21)	(27,937)	(24,043)
Dividend income	6(22)	(110,445)	(44,750)
Share of profit (loss) on subsidiaries, associates, and joint ventures accounted for using equity method		(247,919)	219,993
Gains on disposal of property, plant and equipment and other non-current assets	6(23)	(1,095)	(2,247)
Realized losses between associates		2,780	2,022
Unrealized gains (losses) between associates		108,828	(2,780)
Gains on disposal of investments	6(23)	(12,531)	-
Gains on lease modification	6(9)	(1)	-
Changes in assets/liabilities related to operating activities			
Net changes in operating assets			
Financial assets mandatorily at fair value through profit or loss		(1,007,708)	(1,509,319)
Notes receivable (including related and non-related parties)		5,192	4,445
Trade receivable (including related and non-related parties)		29,925	450,422
Other receivables (including related and non-related parties)		(73,181)	(56,033)
Inventories		6,929	(223,146)
Other current assets		46,114	(31,119)
Net changes in operating liabilities			
Financial liabilities at fair value through profit or loss		(9,259)	(3,937)
Contract liabilities		(24,258)	(16,455)
Notes and trade payable (including related and non-related parties)		(75,178)	(548,592)
Other payables (including related and non-related parties)		103,708	(86,269)
Other current liabilities		(20,342)	4,555
Net defined benefit liabilities		(88,440)	(14,402)
Cash outflow from operating activities		(498,237)	(1,079,839)
Interest received		27,953	24,042
Dividends received		110,397	45,069
Interest paid		(40,635)	(34,772)
Income tax paid		(57)	(2,350)
Net cash outflow from operating activities		(400,579)	(1,047,850)

(Continued on the next page)

	Notes	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
<u>Cash flows from investing activities</u>			
Decrease (increase) in receivables from financing provided to related parties		\$ 476,210	(\$ 723,070)
Price of acquisition of financial assets mandatorily at fair value through other comprehensive income		-	(4,471)
Proceeds from disposal of financial assets at fair value through other comprehensive income	7	-	6,222
Refund from capital reduction related to financial assets at fair value through other comprehensive income		1,934	9,077
Increase in financial assets at amortized cost		6,000	(6,000)
Acquisition of investments accounted for using the equity method	7	(40,000)	(112,200)
Proceeds from disposal of investments accounted for using the equity method		46,697	271
Refund from capital reduction related to investments accounted for using the equity method	7	-	700,000
Price of acquisition of property, plant and equipment	6(28)	(898)	(662)
Proceeds from disposal of property, plant and equipment and other non-current assets		1,236	2,493
Acquisition of intangible assets	6(28)	(104,482)	(3,844)
Increase in refundable deposits		(479)	(801)
Increase in other non-current assets		(16,528)	(46,856)
Increase in prepayments for equipment (listed in other non-current assets)	6(28)	(102,057)	(165,827)
Dividends received		305,289	2,107,243
Net cash inflow from investing activities		572,922	1,761,575
<u>Cash flows from financing activities</u>			
Decrease in short-term borrowings	6(29)	(39,659)	(100,000)
Decrease in payable for financing provided by related parties		-	(1,400,000)
Increase in long-term notes payable	6(29)	200,000	-
Long-term borrowings taking place for current period	6(29)	621,000	1,960,000
Repayment of long-term borrowings for current period	6(29)	(1,051,460)	(2,707,940)
Repayment of principal of lease liabilities	6(9)(29)	(12,896)	(13,265)
Increase in guarantee deposits received		825	-
Cost of repurchase of treasury shares	6(16)	-	(80,266)
Cash dividends distributed	6(18)	(231,776)	-
Net cash outflow from financing activities		(513,966)	(2,341,471)
Decrease in cash and cash equivalents for current period		(341,623)	(1,627,746)
Cash and cash equivalents, beginning of period		1,101,394	2,729,140
Cash and cash equivalents, end of period		\$ 759,771	\$ 1,101,394

The notes attached are part of the Parent Company Only Financial Statements, and shall be read together.

Chairman: Wong, Ming-Sen

Manager: Wong, Ming-Sen

Accounting Manager: Pi-yin Yang

CMC Magnetism Corporation
Notes to the parent company only financial statements
For the Years Ended December 31, 2020 and 2019

Unit: NT\$ thousands (Unless specified otherwise)

1. Company History

CMC Magnetism Corporation (hereinafter referred to as the "Company") was incorporated in the Republic of China. The main business items of the Company are the manufacturing and sale of consumer electronic products, including optical discs. 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 parent company only 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:

<u>New, Revised, and Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
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 Company's financial position and financial performance based on the Company'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:

<u>New, Revised, and Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
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 Company's financial position and financial performance based on the Company's 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:

<u>New, Revised, and Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
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 Company has assessed that the standards and interpretations above have no significant influence on the Company'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 parent company only financial statements are set out below. Unless otherwise specified, the policies shall be applicable to all reporting periods presented.

a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the

Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

- 1) Except for the following significant items, the parent company only 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 endorsed by the FSC, requiring the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

c. Foreign currency translation

The currency of the main economic environment in which the Company operates (i.e. functional currency) is measured by the Company. The parent company only financial statements are presented in the Company's functional currency, the New Taiwan dollars.

- 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 and associates 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, 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 Company retains partial interest in the associate, after losing significant influence over the former foreign associate, 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 Company 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 interest in the foreign operation.
 - d) Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at balance sheet date.

d. 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 Company 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 Company classifies liabilities not meeting the aforesaid criteria into non-current liabilities.

e. 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.

f. 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 Company's initial recognition is on a fair value basis, with relevant transaction costs recognized in profit or loss, and subsequently to fair value, and gains or losses 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 Company, and when the amount of dividends can be reliably measured, the Company recognizes dividend income in profit or loss.

g. Financial assets at FVTOCI

- 1) Refers to the irrevocable election made at initial recognition that allows the Company 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 Company'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 the interest on the payment of the principal and the amount of principal outstanding.
- 2) The Company's financial assets measured at FVTOCI in accordance with trading conventions, are accounted for on the trade date.
- 3) At initial recognition, the Company 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 Company 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 Company, 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.

h. Financial assets at amortized cost

- 1) Financial assets at amortized cost are those that meet all of the following criteria:
 - a) The objective of the Company's business model is achieved by collecting contractual cash flows.
 - b) The contract terms of the financial asset generate cash flow on a specific date, which is entirely the interest on the payment of the principal and the amount of principal outstanding.
- 2) The Company accounts for financial assets measured at amortized cost, which are in line with trade practices on the trade day.
- 3) At initial recognition, the Company measures the financial assets at fair value plus transaction costs, and subsequently adopts the effective interest method to recognize said assets as interest revenue and as impairment loss during the outstanding period according to the amortization procedure. During derecognition, the gains or losses are recognized in the profit or loss.
- 4) The Company'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.

i. 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 Company measures the receivable by the original invoice amount.
- 3) The Company'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.

j. Impairment of financial assets

The Company, at each balance sheet date, considers all reasonable and corroborative information (including forward-looking one) based on the trade receivable that contains significant financial components. For those with no significant increase in credit risk since initial recognition, the loss allowance is measured at 12-month expected credit losses; for those with a significant increase in credit risk since initial recognition, the loss allowance is measured at the lifetime expected credit losses. For trade receivable that does not contain significant financial components, the loss allowance is measured at the lifetime expected credit losses.

k. Derecognition of financial assets

The Company 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.

l. Inventories

Inventories are measured at cost and net realizable value, whichever is lower. The cost is calculated by the moving 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.

m. Investments accounted for using the equity method/subsidiaries and associates

- 1) A subsidiary refers to an entity under the control of the Company. When the Company is exposed to variable returns from the participation in the entity or is entitled to said variable returns, and has the ability to affect such returns through its power over the entity, the Company controls the entity.
- 2) Unrealized gains and losses between the Company and its subsidiaries have been eliminated. The accounting policies of the subsidiaries have been adjusted as necessary and are consistent with the policies adopted by the Company.
- 3) The Company's share of profit or loss on subsidiaries after acquisition is recognized in profit or loss, whereas its share of other comprehensive income on subsidiaries after acquisition is recognized in other comprehensive income. When the share of loss from a subsidiary exceeds the Company's interests in that subsidiary, the Company continues to recognize the loss in proportion to its ownership percentage.
- 4) If the change in the ownership of a subsidiary does not result in the loss of control (transaction with non-controlling interests), it is treated as an equity transaction, that is, transactions with owners in their capacity as owners. The difference between the adjustment amount of non-controlling interests and the fair value of the consideration paid or received is directly recognized as equity.
- 5) When the Company loses control over a subsidiary, the retained investment in such former subsidiary is remeasured, and the remeasurement is regarded as the fair value of a financial asset on initial recognition, or as the cost of an investment in an associate or joint venture on initial recognition. Difference between fair value and carrying amount is recognized in profit or loss. For all amounts previously recognized in other comprehensive income related to said subsidiary, the accounting treatment is on the same basis as if the Group directly disposes of the relevant assets or liabilities, that is, the gains or losses previously recognized in other comprehensive income will be reclassified to profit or loss when the relevant assets or liabilities are disposed of, so when the control over the subsidiary is lost, the gains or losses will be reclassified from equity to profit or loss.
- 6) Associates are all entities over which the Company 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 Company. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- 7) The Company'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 Company's share of losses on an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

- 8) 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 Company's ownership percentage of the associate, the Company recognizes the change in ownership interests in the associate in "capital surplus" in proportion to its ownership.
- 9) Unrealized gains or losses on transactions between the Company and its associates are eliminated in proportion to the Company'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 Company.
- 10) Where an associate issues new shares and the Company fails to subscribe for or acquire new shares proportionately, which results in a change in the Company'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.
- 11) Upon loss of significant influence over an associate, the Company 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.
- 12) When the Company 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 Company directly. That is, if the gains or losses previously recognized in other comprehensive income will be reclassified to 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.
- 13) When the Company 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.
- 14) In accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the current profit or loss and other comprehensive income in the parent company only financial statements shall be the same as those attributable to the owners of the parent company in the financial statements prepared on a consolidated basis. The owners' equity in the parent company only financial statements shall be the same as the equity attributable to owners of the parent company in the financial statements prepared on a consolidated basis.

n. Property, plant and equipment

- 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 Company 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	2–7 years

o. 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 Company. 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) 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. 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 is 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.

p. 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 2–50 years.

q. Intangible assets

1) 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.

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

3) Computer software is recognized at the cost of acquisition and amortized by the straight-line method based on the estimated useful life of one year.

r. Other assets - office ornaments (listed in other non-current assets-others)

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.

s. Impairment of non-financial assets

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 entities.

t. Borrowings

1) Borrowings comprise long-term and short-term borrowings from banks. When the initial recognition of Company'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.

u. 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 payables are measured at initial invoice amount as the effect of discounting is immaterial.

v. Derecognition of financial liabilities

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

w. Offsetting of financial assets and liabilities

The financial assets and liabilities may be offset and the net amount is presented in the balance sheet when there is a legally enforceable right to offset the recognized amounts of the financial assets and liabilities and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

x. 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.

y. 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.

c) 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 Company 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.

d) 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.

z. 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 Company 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 parent company only 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 assets or liability in a transaction (excluding business entities), 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 and associates, if the Company 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.

aa. Share capital

- 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.

bb. Dividend allocation

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.

cc. Revenue recognition

Sales

- 1) The Company 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 Company 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 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 Company 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 Company's right to the consideration for contracts from customers is unconditional, except for the passage of time.

dd. Acquisition transactions

- 1) The Company 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.

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

During the preparation of the parent company only financial statements, the Company's 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 Company 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 Company'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 Company

must determine the net realizable value of inventories at balance sheet date based on judgments and estimates. With the rapid advancement of technology, the Company 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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and petty cash	\$ 338	\$ 408
Checks and demand deposits	729,433	1,070,986
Time deposit	<u>30,000</u>	<u>30,000</u>
Total	<u>\$ 759,771</u>	<u>\$ 1,101,394</u>

- 1) The Company deals with financial institutions with high credit ratings. The Company 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 Company has classified the cash and cash equivalents provided as loans to others to financial assets at amortized cost-current. Please refer to Note 8 for details.

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

<u>Items</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current items:		
Financial assets mandatorily at fair value through profit or loss		
Listed stocks	\$ 3,443,530	\$ 3,284,368
Derivative instruments	<u>301</u>	<u>-</u>
	3,443,831	3,284,368
Adjustment to valuation	<u>(140,075)</u>	<u>(16,860)</u>
Total	<u>\$ 3,303,756</u>	<u>\$ 3,267,508</u>
Non-current items:		
Financial assets mandatorily at fair value through profit or loss		
Listed stocks	\$ 1,217,912	\$ 261,101
Adjustment to valuation	<u>86,544</u>	<u>103,899</u>
Total	<u>\$ 1,304,456</u>	<u>\$ 365,000</u>

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

	<u>2020</u>	<u>2019</u>
Financial assets mandatorily at fair value through profit or loss		
Equity instruments	(\$ 54,501)	\$ 76,230

Derivative instruments	15,881	2,386
Total	<u>(\$ 38,620)</u>	<u>\$ 78,616</u>

- 2) The Company's transactions of derivative financial assets and contract information with hedging accounting applied are described below:

December 31, 2020

<u>Derivative financial assets</u>	Contract amount (notional principal)	<u>Contract period</u>
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 Company 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 Company has pledged financial assets at FVTPL as collateral, please refer to Note 8 for details.
- 4) Regardless of the collateral held or other credit enhancements, the maximum amount of the exposure to the credit risk arising from the Company's financial assets at FVTPL is the carrying amount.

c. Financial assets at FVTOCI

<u>Items</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Non-current items:		
Equity instruments		
Unlisted stocks	\$ 5,920	\$ 7,854
Adjustment to valuation	<u>41,521</u>	<u>24,306</u>
Total	<u>\$ 47,441</u>	<u>\$ 32,160</u>

- 1) The Company 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\$47,441 and NT\$32,160, respectively.
- 2) The breakdown of financial assets at FVTOCI recognized in profit or loss and comprehensive income is as follows:

	<u>2020</u>	<u>2019</u>
<u>Equity instruments at FVTOCI</u>		
Changes in fair value recognized in other comprehensive income	<u>\$ 17,215</u>	<u>\$ 11,128</u>
Accumulated (gains) losses reclassified to retained earnings due to derecognition (losses to be compensated)	<u>(\$ 861)</u>	<u>\$ 2,994</u>

- 3) As of December 31, 2020 and 2019, regardless of the collateral held or other credit enhancements, the maximum amount of the exposure to the credit risk arising from the Company's financial assets at FVTOCI was NT\$47,441 and NT\$32,160, respectively.
- 4) The Company did not pledge financial assets at FVOCI as collateral.

d. Notes and trade receivable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Notes receivable	\$ 244	\$ 1,105
Less: Allowance for loss	(2)	(11)
	<u>\$ 242</u>	<u>\$ 1,094</u>
Trade receivable	\$ 490,838	\$ 964,310
Less: Allowance for loss	(98,537)	(29,171)
	<u>\$ 392,301</u>	<u>\$ 935,139</u>

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

	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	<u>Trade receivable</u>	<u>Notes receivable</u>	<u>Trade receivable</u>	<u>Notes receivable</u>
Not past due	\$ 763,437	\$ 244	\$ 1,055,680	\$ 5,435
Overdue for less than 30 days	95,909	-	42,737	-
Overdue for 31–60 days	70,520	-	36,822	-
Overdue for 61–90 days	129,506	-	17,138	-
Overdue for 91–180 days	23,928	-	76,893	-
Overdue for 181 or more	<u>172,040</u>	<u>-</u>	<u>10,274</u>	<u>-</u>
	<u>\$ 1,255,340</u>	<u>\$ 244</u>	<u>\$ 1,239,544</u>	<u>\$ 5,435</u>

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\$1,259,311 and NT\$25,930, respectively.
- 3) As of December 31, 2020 and 2019, regardless of the collateral held or 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) was NT\$1,155,767 and NT\$1,215,797, respectively.
- 4) The Company 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.

e. Financial asset transfer

The Company signed a trade receivable factoring contract with Taipei Fubon Bank. According to the contract, the Company does not have to bear the risk of default over the transferred trade receivable but only the loss from business disputes. As the Company did

not have any continuous involvement in these transferred trade receivable, the Company derecognized these transferred trade receivable. Information on outstanding receivables is as follows:

					Unit: NT\$ thousands
<u>December 31, 2020</u>					
<u>Factor</u>	Amount of trade receivable in factoring	<u>Amount derecognized</u>	<u>Amount of advance received</u>	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
<u>December 31, 2019</u>					
<u>Factor</u>	Amount of trade receivable in factoring	<u>Amount derecognized</u>	<u>Amount of advance received</u>	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.

f. Inventories

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Raw materials	\$ 310,781	\$ 428,132
Work-in-progress	693	-
Finished goods	345,626	318,420
Merchandise inventory	450,076	401,110
Inventory in transit	33,557	-
Total	<u>\$ 1,140,733</u>	<u>\$ 1,147,662</u>

The Company's inventory cost recognized as an expense for the current period:

	2020	2019
Cost of inventories sold	\$ 3,226,119	\$ 4,568,884
Unamortized fixed production overheads	54,246	30,334
Valuation losses (gains on recovery)	(3,033)	17,993
Others	9,604	(597)
	<u>\$ 3,286,936</u>	<u>\$ 4,616,614</u>

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

g. Investments accounted for using the equity method

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Zhong Jia International Investment Co., Ltd. (Zhong Jia)	\$ 3,457,629	\$ 3,768,033
CMC Movie Corporation (CMC Movie)	173,381	188,006
CMC Entertainment Holding Corporation (CMC Entertainment)	50,754	42,823
Asia 1 Entertainment Co., Ltd. (Asia 1 Entertainment)	(246,401)	(236,292)
Benmeng Optoelectronics Co., Ltd. (Benmeng)	-	(66,902)
Sun Well Solar Corporation (Sun Well)	(848,093)	(774,408)
Sun Q Corporation Limited (Sun Q)	(22,310)	(21,259)
Transtouch Technology Inc. (Transtouch)	376,723	392,200
CMC Entertainment Hub Corporation (CMC Entertainment Hub)	97,022	92,617
EMC Investment Holding Ltd. (EMC H)	3,605,849	3,492,143
CIA Holding Corp. (CIA)	408,452	490,927
Deltamac (Taiwan) Co., Ltd. (Deltamac)	176,181	175,747
Add: Credit balance of long-term investment reclassified to other non-current liabilities	<u>1,116,804</u>	<u>1,098,861</u>
	<u>\$ 8,345,991</u>	<u>\$ 8,642,496</u>

1) Subsidiaries

- For information about the Company's subsidiaries, please refer to Note 4(3) of the Company's consolidated financial statements for the 2020.
- The Company purchased additional shares issued by its subsidiaries in cash in 2019. Please refer to Note 6(33) of the Company's consolidated financial statements for 2020 for details.
- The Company acquired 100% of equity of Verbatim Americas LLC., Verbatim Australia Pty. Ltd., Verbatim GmbH, and Verbatim (Hong Kong) Limited through its subsidiary EMC Investment Holding Ltd. on December 31, 2019, and acquired control over said companies, please refer Note 6(34) of the Company's consolidated financial statements for 2020 for details.
- The Company sold the equity of its subsidiaries in 2020, please refer to Note 6(35) of the Company's consolidated financial statements for 2020 for details.
- Please refer to Note 8 for details of the investment under the equity method pledged by Company for collateral.

2) Associates

The carrying amounts of the Company's associates that are individually immaterial and their share of operating results are aggregated as follows: As of December 31, 2020 and 2019, the carrying amounts of the Company's associates that are individually immaterial were NT\$293,060 and NT\$456,287, respectively.

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

h. Property, plant and equipment

2020

	<u>Buildings and structures</u>				<u>Machinery and equipment</u>			<u>Others</u>	<u>Total</u>
	<u>Land</u>	<u>For self-use</u>	<u>For leasing</u>	<u>Subtotal</u>	<u>For self-use</u>	<u>For leasing</u>	<u>Subtotal</u>		
January 1									
Cost	\$2,118,488	\$ 2,493,486	\$ 3,678	\$2,497,164	\$13,346,241	\$ -	\$13,346,241	\$ 86,420	\$18,048,313
Accumulated depreciation and impairment	<u>-</u>	<u>(1,201,680)</u>	<u>(2,172)</u>	<u>(1,203,852)</u>	<u>(11,986,827)</u>	<u>-</u>	<u>(11,986,827)</u>	<u>(17,235)</u>	<u>(13,207,914)</u>
	<u>\$2,118,488</u>	<u>\$ 1,291,806</u>	<u>\$ 1,506</u>	<u>\$1,293,312</u>	<u>\$ 1,359,414</u>	<u>\$ -</u>	<u>\$ 1,359,414</u>	<u>\$ 69,185</u>	<u>\$ 4,840,399</u>
January 1	\$2,118,488	\$ 1,291,806	\$ 1,506	\$1,293,312	\$ 1,359,414	\$ -	\$ 1,359,414	\$ 69,185	\$ 4,840,399
Disposal	-	-	-	-	(225)	-	(225)	-	(225)
Reclassification (Note)	-	(189,298)	(1,482)	(190,780)	107,771	1,728	109,499	(20,849)	(102,130)
Depreciation expenses	<u>-</u>	<u>(52,690)</u>	<u>(24)</u>	<u>(52,714)</u>	<u>(438,386)</u>	<u>(1,149)</u>	<u>(439,535)</u>	<u>(10,738)</u>	<u>(502,987)</u>
December 31	<u>\$2,118,488</u>	<u>\$ 1,049,818</u>	<u>\$ -</u>	<u>\$1,049,818</u>	<u>\$ 1,028,574</u>	<u>\$ 579</u>	<u>\$ 1,029,153</u>	<u>\$ 37,598</u>	<u>\$ 4,235,057</u>
December 31									
Cost	\$2,118,488	\$ 1,961,345	\$ 24	\$1,961,369	\$12,513,007	\$ 1,728	\$12,514,735	\$ 51,494	\$16,646,086
Accumulated depreciation and impairment	<u>-</u>	<u>(911,527)</u>	<u>(24)</u>	<u>(911,551)</u>	<u>(11,484,433)</u>	<u>(1,149)</u>	<u>(11,485,582)</u>	<u>(13,896)</u>	<u>(12,411,029)</u>
	<u>\$2,118,488</u>	<u>\$ 1,049,818</u>	<u>\$ -</u>	<u>\$1,049,818</u>	<u>\$ 1,028,574</u>	<u>\$ 579</u>	<u>\$ 1,029,153</u>	<u>\$ 37,598</u>	<u>\$ 4,235,057</u>

2019

	<u>Buildings and structures</u>						
	<u>Land</u>	<u>For self-use</u>	<u>For leasing</u>	<u>Subtotal</u>	<u>Machinery and equipment</u>	<u>Others</u>	<u>Total</u>
January 1							
Cost	\$ 2,118,488	\$ 2,503,987	\$ -	\$ 2,503,987	\$ 13,646,977	\$ 26,606	\$ 18,296,058
Accumulated depreciation and impairment	-	(1,171,510)	-	(1,171,510)	(11,892,446)	(12,262)	(13,076,218)
	<u>\$ 2,118,488</u>	<u>\$ 1,332,477</u>	<u>\$ -</u>	<u>\$ 1,332,477</u>	<u>\$ 1,754,531</u>	<u>\$ 14,344</u>	<u>\$ 5,219,840</u>
January 1	\$ 2,118,488	\$ 1,332,477	\$ -	\$ 1,332,477	\$ 1,754,531	\$ 14,344	\$ 5,219,840
Additions	-	-	-	-	-	4,490	4,490
Disposal	-	-	-	-	(130)	(433)	(563)
Reclassification (Note)	-	10,984	1,577	12,561	75,859	66,259	154,679
Depreciation expenses	-	(51,655)	(71)	(51,726)	(470,846)	(15,475)	(538,047)
December 31	<u>\$ 2,118,488</u>	<u>\$ 1,291,806</u>	<u>\$ 1,506</u>	<u>\$ 1,293,312</u>	<u>\$ 1,359,414</u>	<u>\$ 69,185</u>	<u>\$ 4,840,399</u>
December 31							
Cost	\$ 2,118,488	\$ 2,493,486	\$ 3,678	\$ 2,497,164	\$ 13,346,241	\$ 86,420	\$ 18,048,313
Accumulated depreciation and impairment	-	(1,201,680)	(2,172)	(1,203,852)	(11,986,827)	(17,235)	(13,207,914)
	<u>\$ 2,118,488</u>	<u>\$ 1,291,806</u>	<u>\$ 1,506</u>	<u>\$ 1,293,312</u>	<u>\$ 1,359,414</u>	<u>\$ 69,185</u>	<u>\$ 4,840,399</u>

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

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

	<u>2020</u>	<u>2019</u>
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(11) for details.
- 3) For information about the Company's pledging of property, plant and equipment as collateral, please refer to Note 8 for details.

i. Lease transaction - the lessee

- 1) The assets leased by the Company include land and buildings. The lease contract term is usually from 1 to 3 years. The lease contracts are negotiated separately and contain various terms and conditions. Except that the leased asset cannot be used as collateral for loans, 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:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$1,290	\$1,219
Property	<u>10,551</u>	<u>21,046</u>
	<u>\$11,841</u>	<u>\$22,265</u>

	<u>2020</u>			<u>2019</u>		
	<u>Depreciation expenses</u>			<u>Depreciation expenses</u>		
	<u>For self-use</u>	<u>For leasing</u>	<u>Total</u>	<u>For self-use</u>	<u>For leasing</u>	<u>Total</u>
Land	\$ 2,509	\$ -	\$ 2,509	\$ 2,579	\$ -	\$ 2,579
Property	<u>2,501</u>	<u>7,921</u>	<u>10,422</u>	<u>7,997</u>	<u>2,748</u>	<u>10,745</u>
	<u>\$ 5,010</u>	<u>\$ 7,921</u>	<u>\$ 12,931</u>	<u>\$ 10,576</u>	<u>\$ 2,748</u>	<u>\$ 13,324</u>

- 4) The additions of the Company's right-of-use assets in 2020 and 2019 were NT\$2,580 and NT\$2,438, respectively.
- 5) The profit and loss items related to lease contracts are shown as follows:

	<u>2020</u>	<u>2019</u>
<u>Items that affect profit or loss</u>		
Interest expenses on lease liabilities	\$245	\$227
Short-term lease expenses	1,059	3,410
Revenue from sublease of right-of-use assets	5,834	1,940
Gains on lease modification	1	-

- 6) The Company's total cash outflows of leases in 2020 and 2019 were NT\$14,200 and NT\$16,902, respectively.

j. Investment property

	<u>2020</u>		
	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
January 1			
Cost	\$ 63,362	\$ 919,571	\$ 982,933
Accumulated depreciation and impairment	-	(451,461)	(451,461)
	<u>\$ 63,362</u>	<u>\$ 468,110</u>	<u>\$ 531,472</u>
January 1	\$ 63,362	\$ 468,110	\$ 531,472
Reclassification (Note)	-	252,754	252,754
Depreciation expenses	-	(24,741)	(24,741)
December 31	<u>\$ 63,362</u>	<u>\$ 696,123</u>	<u>\$ 759,485</u>
December 31			
Cost	\$ 63,362	\$ 1,509,350	\$ 1,572,712
Accumulated depreciation and impairment	-	(813,227)	(813,227)
	<u>\$ 63,362</u>	<u>\$ 696,123</u>	<u>\$ 759,485</u>
	<u>2019</u>		
	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
January 1			
Cost	\$ 63,362	\$ 985,360	\$ 1,048,722
Accumulated depreciation and impairment	-	(500,877)	(500,877)
	<u>\$ 63,362</u>	<u>\$ 484,483</u>	<u>\$ 547,845</u>
January 1	\$ 63,362	\$ 484,483	\$ 547,845
Reclassification (Note)	-	1,005	1,005
Depreciation expenses	-	(17,378)	(17,378)
December 31	<u>\$ 63,362</u>	<u>\$ 468,110</u>	<u>\$ 531,472</u>
December 31			
Cost	\$ 63,362	\$ 919,571	\$ 982,933
Accumulated depreciation and impairment	-	(451,461)	(451,461)
	<u>\$ 63,362</u>	<u>\$ 468,110</u>	<u>\$ 531,472</u>

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

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

	<u>2020</u>	<u>2019</u>
Rental revenue of investment property	\$ <u>46,739</u>	\$ <u>47,481</u>
Direct operating expenses incurred by investment property generating rental revenue in the current period	\$ <u>10,982</u>	\$ <u>10,982</u>
Direct operating expenses incurred by investment property not generating rent revenue in current period	\$ <u>13,759</u>	\$ <u>6,396</u>

2) The fair value of the investment property held by the Company as of December 31, 2020 and 2019 was \$4,851,873 and \$2,400,465, respectively, based on the evaluation results of transaction prices in the neighborhood to which could be referred.

3) For information on the investment property pledged as collateral, please refer to Note 8 for details.

k. Impairment of non-financial assets

1) The Company 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:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Machinery and equipment	10.42%	11.52%

2) Accumulated write-off of impairments

	<u>2020</u>	<u>2019</u>
Machinery and equipment	\$ <u>38,001</u>	\$ <u>23,734</u>

When the Company disposed of machinery and equipment in 2020 and 2019, the relevant accumulated impairments were also written off in order to calculate the gains or losses on the disposal.

l. Other non-current assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Prepayments for equipment	\$ 5,189	\$ 49,263
Refundable deposits	5,053	5,531
Overdue receivables	50,555	545,725
Less: Allowance for loss	(50,555)	(545,725)
Other non-current assets - others	<u>422,207</u>	<u>420,507</u>
	\$ <u>432,449</u>	\$ <u>475,301</u>

m. Short-term borrowings

<u>Nature of borrowings</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Borrowings from financial Institutions		
Credit borrowings	\$ 100,000	\$ 150,000
Borrowings for raw material purchase	10,341	-
	<u>\$ 110,341</u>	<u>\$ 150,000</u>
Interest rate range	1.48~1.55%	1.6~1.7%

Commercial paper of NT\$1,770,300 and NT\$1,744,870 has been issued as a guarantee for the short-term borrowing facilities as of December 31, 2020 and 2019, respectively.

n. Long-term borrowings

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Borrowings from financial Institutions		
Secured borrowings	\$ 1,695,000	\$ 2,026,000
Credit borrowings	235,000	334,460
Long-term notes	<u>200,000</u>	<u>-</u>
	2,130,000	2,360,460
Less: Long-term loans due within one year or one operating cycle	<u>(541,000)</u>	<u>(875,460)</u>
	<u>\$ 1,589,000</u>	<u>\$ 1,485,000</u>
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 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:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Due in more than one year	<u>\$ 950,000</u>	<u>\$ 373,000</u>

o. 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:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligations	\$ 238,786	\$ 339,624
Fair value of plan assets	(116,946)	(131,187)
Net defined benefit liabilities (listed in other non-current liabilities)	<u>\$ 121,840</u>	<u>\$ 208,437</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liabilities</u>
2020			
Balance at January 1	\$ 339,624	(\$ 131,187)	\$ 208,437
Service cost for the current period	737	-	737
Service cost for the previous period	(68,280)	-	(68,280)
Interest (expense) revenue	<u>2,377</u>	<u>(919)</u>	<u>1,458</u>
	<u>274,458</u>	<u>(132,106)</u>	<u>142,352</u>
Re-measurements:			
Return on plan assets (not including interest revenue or expenses)	-	(4,929)	(4,929)
The effect of changes in financial assumptions	7,433	-	7,433
Experience adjustments	<u>(661)</u>	<u>-</u>	<u>(661)</u>
	<u>6,772</u>	<u>(4,929)</u>	<u>1,843</u>
Pension contributed	-	(22,355)	(22,355)
Pension paid	<u>(42,444)</u>	<u>42,444</u>	<u>-</u>
Balance, December 31	<u>\$ 238,786</u>	<u>(\$ 116,946)</u>	<u>\$ 121,840</u>

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liabilities</u>
2019			
Balance at January 1	\$ 385,592	(\$ 148,744)	\$ 236,848
Service cost for the current period	1,070	-	1,070
Interest (expense) revenue	<u>3,470</u>	<u>(1,338)</u>	<u>2,132</u>
	<u>390,132</u>	<u>(150,082)</u>	<u>240,050</u>
Re-measurements:			
Return on plan assets (not including interest revenue or expenses)	-	(5,239)	(5,239)
 The effect of changes in financial assumptions	 5,902	 -	 5,902
Experience adjustments	<u>(14,672)</u>	<u>-</u>	<u>(14,672)</u>
	<u>(8,770)</u>	<u>(5,239)</u>	<u>(14,009)</u>
Pension contributed	-	(17,604)	(17,604)
Pension paid	<u>(41,738)</u>	<u>41,738</u>	<u>-</u>
Balance, December 31	<u>\$ 339,624</u>	<u>(\$ 131,187)</u>	<u>\$ 208,437</u>

- d) As the Company closed the Zhongli factory, a decrease in the benefit by NT\$68,280 occurred during the current period, and the defined benefit liabilities of the employees of the factory have been settled.
- e) The Bank of Taiwan was commissioned to manage the assets of the Company's 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.

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

	<u>2020</u>	<u>2019</u>
Discount rate	<u>0.3%</u>	<u>0.7%</u>
Rate of future salary increase	<u>2%</u>	<u>2%</u>

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:

	<u>Discount rate</u>		<u>Rate of future salary increase</u>	
	<u>Increase by</u>	<u>Decrease by</u>	<u>Increase by</u>	<u>Decrease by</u>
	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>
December 31, 2020				
The effects on the present value of defined benefit obligations	<u>(\$ 4,690)</u>	<u>\$ 4,844</u>	<u>\$ 4,154</u>	<u>(\$ 4,049)</u>
December 31, 2019				
The effects on the present value of defined benefit obligations	<u>(\$ 7,353)</u>	<u>\$ 7,607</u>	<u>\$ 6,642</u>	<u>(\$ 6,462)</u>

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.

- g) The Company expects to make a contribution of NT\$12,098 to the pension plan for the year ended December 31, 2021.
- h) As of December 31, 2020, the weighted average duration of the pension plan is 8 years. The maturity analysis of the pension payments is as follows:

Less than 1 year	\$12,008
1–5 years	92,709
Over 5 years	<u>62,891</u>
	<u>\$167,608</u>

2)

- a) Since July 1, 2005, the Company has 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 makes 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.

- b) For 2020 and 2019, the pension costs recognized according to the above-mentioned pension method were NT\$23,116 and NT\$30,128, respectively.

p. 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	<u>1,158,881,200</u>	<u>1,158,881,200</u>

- 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.

q. Capital surplus

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

	<u>Share premium</u>	<u>Treasury share transactions</u>	<u>Changes in percentage of ownership interests in subsidiaries recognized</u>	<u>Difference between the equity price of subsidiary actually acquired or disposed of and the book value</u>	<u>Others</u>	<u>Total</u>
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	<u>\$2,625,548</u>	<u>\$5,014,346</u>	<u>\$ 1,070</u>	<u>\$ 77</u>	<u>\$ 1,922</u>	<u>\$7,642,963</u>

2019

	<u>Share premium</u>	<u>Treasury share transactions</u>	<u>Changes in percentage of ownership interests in subsidiaries recognized</u>	<u>Difference between the equity price of subsidiary actually acquired or disposed of and the book value</u>	<u>Others</u>	<u>Total</u>
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	<u>\$2,683,492</u>	<u>\$5,014,346</u>	<u>\$ 458</u>	<u>\$ 77</u>	<u>\$ 1,922</u>	<u>\$7,700,295</u>

r. 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 may 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:

	<u>2019</u>	
	Amount	Earnings per share (NT\$)
Legal reserve appropriation	\$ 21,379	\$ -
Cash dividends	173,832	0.15
	<u>\$</u>	
	<u>195,211</u>	

- 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:

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

- 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(25) for the information of employee compensation and directors' remuneration.

s. Other equity items

	<u>2020</u>			
	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)
Adjustment to valuation:				
- Parent company	-	17,215	-	17,215
- Subsidiaries and associates	-	(46,637)	-	(46,637)
Reclassified from valuation adjustment to retained earnings	-	(861)	-	(861)
Foreign currency translation difference:				
- Parent company	(124,129)	-	-	(124,129)
- Subsidiaries and associates	(1,097)	-	-	(1,097)
Disposal of subsidiary:				
- Subsidiaries and associates	<u>2,025</u>	<u>-</u>	<u>23,709</u>	<u>25,734</u>
December 31	<u>(\$245,128)</u>	<u>(\$161,005)</u>	<u>\$ -</u>	<u>(\$406,133)</u>

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)
Adjustment to valuation:				
- Parent company	-	11,128	-	11,128
- Subsidiaries and associates	-	34,909	-	34,909
Reclassified from valuation adjustment to retained earnings	-	2,994	-	2,994
Foreign currency translation difference:				
- Parent company	(10,031)	-	-	(10,031)
- Subsidiaries and associates	3,526	-	(23,709)	(20,183)
December 31	<u>(\$121,927)</u>	<u>(\$130,722)</u>	<u>(\$ 23,709)</u>	<u>(\$276,358)</u>

t. Operating revenue

	<u>2020</u>	<u>2019</u>
Revenue from customer contracts	<u>\$3,935,194</u>	<u>\$5,504,373</u>

1) Breakdown of revenue from customer contracts

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

	<u>2020</u>		
	<u>Storage media</u>	<u>Others</u>	<u>Total</u>
Timing of revenue recognition			
Revenue recognized at a specific timing	<u>\$3,770,257</u>	<u>\$164,937</u>	<u>\$3,935,194</u>
			<u>2019</u>
	<u>Storage media</u>	<u>Others</u>	<u>Total</u>
Timing of revenue recognition			
Revenue recognized at a specific timing	<u>\$5,321,508</u>	<u>\$182,865</u>	<u>\$5,504,373</u>

2) Contract liabilities

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

	December 31, 2020	December 31, 2019	January 1, 2019
Product sales contracts	<u>\$53,173</u>	<u>\$77,431</u>	<u>\$93,886</u>

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

	<u>2020</u>	<u>2019</u>
Opening balance of contract liabilities recognized as income for the period		
Product sales contracts	<u>\$67,299</u>	<u>\$82,686</u>

u. Interest revenue

	<u>2020</u>	<u>2019</u>
Interests on bank deposits	\$ 1,207	\$ 2,400
Interest revenue from financial assets at amortized cost - interest revenue	18	21
Others (refer to Note 7(2)8(2))	<u>26,712</u>	<u>21,622</u>
	<u>\$ 27,937</u>	<u>\$ 24,043</u>

v. Other income

	<u>2020</u>	<u>2019</u>
Rental income	\$ 58,995	\$ 56,274
Dividend income	110,445	44,750
Other income	<u>42,567</u>	<u>14,004</u>
	<u>\$ 212,007</u>	<u>\$ 115,028</u>

w. Other gains and losses

	<u>2020</u>	<u>2019</u>
Net gains (losses) on financial assets at FVTPL	(\$ 38,620)	\$ 78,616
Net losses on financial liabilities at fair value through profit or loss	(9,259)	(3,937)
Net foreign currency exchange losses	(109,145)	(22,917)
Gains on disposal of property, plant and equipment and other non-current assets	1,095	2,247
Depreciation expenses not for self use (Note)	(33,835)	(20,197)
Gains on disposal of investments	12,531	-
Other expenditures	<u>(6,496)</u>	<u>(94)</u>
	<u>(\$ 183,729)</u>	<u>\$ 33,718</u>

Note: Depreciation expenses of investment property, right-of-use assets subleased, and equipment for lease

x. Finance costs

	<u>2020</u>	<u>2019</u>
Interest expenses:		
Bank borrowings	\$ 40,328	\$ 29,877
Others	313	4,681
Borrowing facility management expense	<u>1,265</u>	<u>9,282</u>
	41,906	43,840
Less: Amount qualified for capitalization	(<u>323</u>)	(<u>848</u>)
	<u>\$ 41,583</u>	<u>\$ 42,992</u>

y. Employee benefit, depreciation, and amortization expenses

In 2020 and 2019, the employee benefit, depreciation, and amortization expenses incurred by the Company are summarized as follows by function:

Function	2020		
	Operating costs	Operating expenses	Total
Employee benefit expenses			
Salaries and wages	\$ 569,506	\$ 92,694	\$ 662,200
Labor and health insurance premiums	51,392	9,295	60,687
Pension expenses	(35,545)	(7,424)	(42,969)
Remuneration of directors	-	3,880	3,880
Other personnel expenses	8,529	2,878	11,407
Depreciation expenses	463,261	43,563	506,824
Amortization expenses	9,745	43,410	53,155

Function	2019		
	Operating costs	Operating expenses	Total
Employee benefit expenses			
Salaries and wages	\$ 629,956	\$ 98,353	\$ 728,309
Labor and health insurance premiums	67,065	10,049	77,114
Pension expenses	28,536	4,794	33,330
Remuneration of directors	-	3,880	3,880
Other employee benefit expenses	12,883	2,826	15,709
Depreciation expenses	513,320	35,232	548,552
Amortization expenses	11,100	29,644	40,744

- 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 Company's number of employees was 1,001 and 1,318, respectively as of the end of 2020 and 2019, and the number of directors who did not serve as employees concurrently was both 9.
- 6) The Company's stock has been listed on the Taiwan Stock Exchange, so the following information is additionally disclosed:
 - a) The average employee benefit expenses in 2020 and 2019 were NT\$588 and NT\$653, respectively.
 - b) The average employee salaries and wages in 2020 and 2019 were NT\$559 and NT\$556, respectively.
 - c) The average employee salary adjustment is 0.5%.
 - d) The company has set up an audit committee in 2020 and 2019, so there was no remuneration for supervisors.
 - e) The Company's salary and remuneration policy:
 - i. The overall salary and remuneration level of employees is based on external competitiveness and internal fairness with the aim of effectively attracting and retaining talents.
 - ii. Employee salary and remuneration is linked with the performance management system to motivate employees to develop, and drive the Company's positive development.
 - iii. The Company's long-term and short-term goals, individual dedication time, positions held, and overall work performance are connected to motivate employees.
 - iv. A remuneration committee is set up to effectively measure the overall salary and remuneration of the Company's directors and managers.
 - f) The Company consolidated its production lines and optimized production efficiency in 2020. As a result, the Company recognized employee resignation related expenses for NT\$107,797 due to the streamlining of personnel in 2020 and was accounted for under operating costs.

z. Income tax

1) Income tax expense

a) Components of income tax expense:

	<u>2020</u>	<u>2019</u>
Current income tax:		
Income tax overestimates/underestimates for prior years	(\$ 67)	\$ -
Deferred income tax:		
Initial recognition and reversal of temporary differences	30,576	9,609
Effect of tax rate changes	-	-
Income tax expense	<u>\$ 30,509</u>	<u>\$ 9,609</u>

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

	<u>2020</u>	<u>2019</u>
Share of other comprehensive income on associates	(\$ 128)	(\$ 210)
Remeasurement of defined benefit obligations	<u>369</u>	<u>(2,802)</u>
	<u>\$ 241</u>	<u>(\$ 3,012)</u>

2) Reconciliation between income tax expense and accounting profit

	<u>2020</u>	<u>2019</u>
Income tax calculated based on income before tax and statutory tax rate	\$ 28,316	\$ 47,663
Expenses which shall be excluded in accordance with the provisions of the tax law	1,845	325
Income on which income tax shall be levied according to tax law	804	419
Items exempt from taxation according to the tax law	(54,778)	(2,803)
Unrealized gains or losses on financial assets that are not taxable	28,114	(21,367)
Temporary differences not recognized in deferred income tax assets	(53,621)	41,111
Taxable loss not recognized in deferred income tax assets	11,494	-
Change in realizability evaluation of deferred income tax liabilities	68,402	(55,739)
Income tax overestimates/underestimates for prior years	<u>(67)</u>	<u>-</u>
Income tax expense	<u>\$ 30,509</u>	<u>\$ 9,609</u>

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

<u>2020</u>				
	<u>January 1</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>December 31</u>
Deferred in come tax assets:				
- Temporary differences:				
Over-limit of allowance for loss	\$111,400	(\$ 83,938)	\$ -	\$ 27,462
Inventory valuation loss	29,101	(606)	-	28,495
Compensation for unused annual leave	7,193	(2,742)	-	4,451
Unrealized exchange loss	9,313	3,452	-	12,765
Remeasurement of defined benefit obligations	14,197	-	369	14,566
Unrealized sales gains	-	21,766	-	21,766
-Tax losses	<u>77,381</u>	<u>30,935</u>	<u>-</u>	<u>108,316</u>
Subtotal	<u>\$248,585</u>	<u>(\$ 31,133)</u>	<u>\$ 369</u>	<u>\$217,821</u>
Deferred income tax liabilities				
- Temporary differences:				
Unrealized sales losses	(\$ 557)	\$ 557	\$ -	\$ -
Provision for land value increment tax	(21,379)	-	-	(21,379)
Others	<u>(18)</u>	<u>-</u>	<u>-</u>	<u>(18)</u>
Subtotal	<u>(\$ 21,954)</u>	<u>\$ 557</u>	<u>\$ -</u>	<u>(\$ 21,397)</u>
Total	<u>\$226,631</u>	<u>(\$ 30,576)</u>	<u>\$ 369</u>	<u>\$196,424</u>

<u>2019</u>				
	<u>January 1</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>December 31</u>
Deferred in come tax assets:				
- Temporary differences:				
Over-limit of allowance for loss	\$115,524	(\$ 4,124)	\$ -	\$111,400
Inventory valuation loss	25,503	3,598	-	29,101
Compensation for unused annual leave	7,629	(436)	-	7,193
Unrealized exchange loss	3,471	5,842	-	9,313
Remeasurement of defined benefit obligations	17,192	(193)	(2,802)	14,197
-Tax losses	<u>91,525</u>	<u>(14,144)</u>	<u>-</u>	<u>77,381</u>
Subtotal	<u>\$260,844</u>	<u>(\$ 9,457)</u>	<u>(\$ 2,802)</u>	<u>\$248,585</u>

	<u>2019</u>			
	<u>January 1</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>December 31</u>
Deferred income tax liabilities				
- Temporary differences:				
Unrealized sales losses	(\$ 405)	(\$ 152)	\$ -	(\$ 557)
Provision for land value increment tax	(21,379)	-	-	(21,379)
Others	(18)	-	-	(18)
Subtotal	<u>(\$ 21,802)</u>	<u>(\$ 152)</u>	<u>\$ -</u>	<u>(\$ 21,954)</u>
Total	<u>\$239,042</u>	<u>(\$ 9,609)</u>	<u>(\$ 2,802)</u>	<u>\$226,631</u>

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

December 31, 2020

<u>Year of occurrence</u>	<u>Declared/Approved amount</u>	<u>Amount of unused tax loss carryforwards</u>	<u>Amount of unrecognized deferred income tax assets</u>	<u>Final year the carryforwards are due</u>
2011	Approved amount	\$ 1,269,401	\$ 1,189,982	2021
2013	'	1,396,315	1,296,877	2023
2014	'	792,870	638,449	2024
2015	'	1,242,438	1,034,133	2025
2016	'	2,413,223	2,413,223	2026
2017	'	570,239	570,239	2027
2018	'	674,553	674,553	2028
2020	Estimated amount	<u>57,472</u>	<u>57,472</u>	2030
		<u>\$ 8,416,511</u>	<u>\$ 7,874,928</u>	

December 31, 2019

<u>Year of occurrence</u>	<u>Declared/Approved amount</u>	<u>Amount of unused tax loss carryforwards</u>	<u>Amount of unrecognized deferred income tax assets</u>	<u>Final year the carryforwards are due</u>
2010	Approved amount	\$ 3,421,887	\$ 3,034,980	2020
2011	'	1,269,401	1,269,401	2021
2013	'	1,396,315	1,396,315	2023
2014	'	792,870	792,870	2024
2015	'	1,242,438	1,242,438	2025
2016	'	2,413,223	2,413,223	2026
2017	'	570,239	570,239	2027
2018	Declared amount	<u>674,553</u>	<u>674,553</u>	2028
		<u>\$11,780,926</u>	<u>\$ 11,394,019</u>	

- 5) Deductible temporary differences that are not recognized in deferred income tax assets:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Deductible temporary differences	<u>\$11,117,466</u>	<u>\$11,525,054</u>

- 6) The profit-seeking enterprise income tax returns filed by the Company up to 2018 have been approved by the tax collection authorities:

aa. Earnings per share

	<u>2020</u>		
	Amount after tax	Weighted average number of outstanding shares (thousand shares)	Earnings per share (NT\$)
<u>Basic earnings per share</u>			
Net profit	<u>\$ 111,073</u>	<u>1,158,881</u>	<u>\$ 0.10</u>
<u>Diluted earnings per share</u>			
Net profit	111,073	1,158,881	
Potential effect of dilutive ordinary shares			
Employee compensation	-	423	
Current net profit plus potential effect of ordinary shares	<u>\$ 111,073</u>	<u>1,159,304</u>	<u>\$ 0.10</u>
	<u>2019</u>		
	Amount after tax	Number of outstanding shares adjusted retrospectively (thousand shares) (Note)	Earnings per share (NT\$)
<u>Basic earnings per share</u>			
Net profit	<u>\$ 228,705</u>	<u>1,158,881</u>	<u>\$ 0.20</u>
<u>Diluted earnings per share</u>			
Net profit	228,705	1,158,881	
Potential effect of dilutive ordinary shares			
Employee compensation	-	373	
Current net profit plus potential effect of ordinary shares	<u>\$ 228,705</u>	<u>1,159,254</u>	<u>\$ 0.20</u>

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

bb. Additional information on cash flows

Investing activities with only partial cash payments:

- 1) Property, plant and equipment and prepayments for equipment (listed in other non-current assets)

	<u>2020</u>		<u>2019</u>
Acquisition of property, plant and equipment	\$	-	\$ 4,490
Prepayments for purchase of equipment		112,955	169,835
Add: Payable, beginning of period		50,922	43,086
Less: Payable, end of period	(	<u>60,922)</u>	(<u>50,922)</u>
Cash paid for current period	<u>\$</u>	<u>102,955</u>	<u>\$ 166,489</u>

- 2) Intangible assets:

	<u>2020</u>		<u>2019</u>
Acquisition of intangible assets	\$	18,977	\$ 89,774
Add: Payable, beginning of period		85,930	-
Less: Payable, end of period	(	<u>425)</u>	(<u>85,930)</u>
Cash paid for current period	<u>\$</u>	<u>104,482</u>	<u>\$ 3,844</u>

cc. 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	\$ 150,000	\$ 2,360,460	\$ 22,324	\$ 2,532,784
Changes in cash flow from financing activities	(39,659)	(230,460)	(12,896)	(283,015)
Other non-cash changes	-	-	2,506	2,506
December 31	<u>\$ 110,341</u>	<u>\$ 2,130,000</u>	<u>\$ 11,934</u>	<u>\$ 2,252,275</u>

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	\$ 33,151	\$ 3,391,551
Changes in cash flow from financing activities	(100,000)	(747,940)	(13,265)	(861,205)
Other non-cash changes	-	-	2,438	2,438
December 31	<u>\$ 150,000</u>	<u>\$ 2,360,460</u>	<u>\$ 22,324</u>	<u>\$ 2,532,784</u>

7. Related-Party Transactions

a. Name and relationship of related parties

Names of related party	Relationship with the Company
Sun Q Corporation Limited (Sun Q)	Subsidiaries
Transtouch Technology Inc. (Transtouch)	"
Deltamac (Taiwan) Co., Ltd. (Deltamac)	"
Benmeng Optoelectronics Co., Ltd. (Benmeng) (Note 1)	"
Asia 1 Entertainment Co., Ltd. (Asia 1 Entertainment)	"
CMC Movie Corporation (CMC Movie)	"
CHC International Investment Corporation	"
CMC Entertainment Holding Corporation (CMC Entertainment)	"
Sun Well Solar Corporation (Sun Well)	"
CMC Entertainment Hub Corporation (CMC Entertainment Hub)	"
Fortune (Jiangsu) Multimedia Co., Ltd.	"
FJKL Technology (Suzhou) Corporation (FJKL Suzhou) (Note 2)	"
Com In Dim Corporation (Com In Dim)	"
Taiwan Net Co. Ltd. (Taiwan Net)	"
Jet-Thai Hi-Tech Co. Ltd. (Jet-Thai)	"
Hotan Corp. (Hotan)	"
EMC Investment Holding Ltd. (EMC H)	"
Verbatim Americas LLC. (VUS) (Note 3)	"
Verbatim Australia Pty. Ltd. (VAU) (Note 3)	"
Verbatim GmbH (VGmbH) (Note 3)	"
Verbatim (Hong Kong) Limited (VHK) (Note 3)	"
Verbatim Japan (VJP)	"
Vie Show Cinemas Co., Ltd. (Vie Show Cinemas)	Associate
C & Multi Enterprise Corp. (C & Multi)	Other related parties

Note 1: 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 Company lost control. Therefore, it was no longer a related party of the Company from this year.

Note 2: The liquidation was completed in 2019.

Note 3: Please refer to Note 6(7)1(3) for details.

b. Significant transactions with related parties

1) Operating revenue

	<u>2020</u>	<u>2019</u>
Sales		
Subsidiary - VJP	\$ 987,241	\$ -
-VUS	457,972	-
-Others	622,039	220,489
Other related parties	-	2,719
Associate	285	238
	<u>\$ 2,067,537</u>	<u>\$ 223,446</u>

The Company's transaction price for related parties is equivalent to that for non-related parties; the payment term for overseas 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.

2) Purchases

	<u>2020</u>	<u>2019</u>
Purchases of goods:		
Subsidiaries	<u>\$ 147,654</u>	<u>\$ 352,803</u>

The goods are purchased from subsidiaries in accordance with general business terms and conditions.

3) Trade receivable from related parties

a) Notes receivable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Trade receivable from related parties:		
Subsidiary - Sun Well	\$ -	\$ 3,866
Other related parties - C & Multi	-	464
	<u>\$ -</u>	<u>\$ 4,330</u>

b) Accounts receivable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Trade receivable from related parties:		
Subsidiary - VJP	\$ 491,102	\$ -
- Yongxing Multimedia	86,387	23,616
-VUS	78,469	118,365
-VGmbH	57,310	75,432
-VHK	45,789	23,851
-Hotan	2,698	31,134
-Others	2,747	1,640
Other related parties	-	1,196
Loss allowance	(1,278)	-
	<u>\$ 763,224</u>	<u>\$ 275,234</u>

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.

4) Trade payables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiary - Yongxing Multimedia	\$ 4,761	\$ 7,749
-VJP	2,604	-
	<u>\$ 7,365</u>	<u>\$ 7,749</u>

Trade payable to related parties mainly come from purchase transactions and are due 90 days after the date of purchase. There is no interest borne on trade payable.

5) Financial asset transaction

- The Company conducted cash capital increase for subsidiary CMC Entertainment Hub (listed in investment using the equity method) in the amount of NT\$40,000 in 2020.
- The total refund from capital reduction by the Company's subsidiary Zhong Jia in 2019 (listed in investment using the equity method) was NT\$700,000.
- The Company sold a total of 536,000 shares of Hexawave, Inc. (listed in financial assets at FVTOCI - non-current) to its subsidiaries in 2019. The proceeds from the disposal were NT\$6,222, and there was no gains or losses on the disposal.

6) Asset transactions:

		<u>2020</u>	<u>2019</u>
	<u>Financial statement account</u>	<u>Acquisition price</u>	<u>Acquisition price</u>
Subsidiary - EMCH	Franchise (listed in intangible assets)	\$ -	\$ 85,930
-VJP	Machinery and equipment	12,309	-
	Other non-current assets	1,496	-
-Others	Machinery and equipment	168	-
Total		<u>\$ 13,973</u>	<u>\$ 85,930</u>

7) Other income

a) Rental income

	<u>2020</u>	<u>2019</u>
Subsidiary - Transtouch	\$ 20,274	\$ 21,222
-Others	3,487	3,787
	<u>\$ 23,761</u>	<u>\$ 25,009</u>

b) Other income

	<u>2020</u>	<u>2019</u>
Subsidiaries	<u>\$ 8,158</u>	<u>\$ 8,556</u>

8) Lending of funds - related parties

a) Loans to related parties (list in other receivables-related parties)

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiary - Sun Well	\$ 1,175,300	\$ 1,175,300
— EMCH	213,560	689,770
- Sun Q	329,389	329,389
Less: Allowance for loss	<u>(329,389)</u>	<u>(329,389)</u>
	<u>\$ 1,388,860</u>	<u>\$ 1,865,070</u>

b) Interest revenue

	<u>2020</u>	<u>2019</u>
Subsidiary - Sun Well	\$ 19,980	\$ 21,351
— EMCH	6,732	257
	<u>\$ 26,712</u>	<u>\$ 21,608</u>

The funds lent to subsidiaries shall be recovered within 1 year after the funds were lent as agreed. The interest on the funds lent for 2020 and 2019 is based on an annual interest rates of 1.55%–1.7% and 1.7%–2.215%, respectively.

9) Other receivables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries	\$ 96,779	\$ 83,380
Less: Allowance for loss	(69,624)	(69,104)
	<u>\$ 27,155</u>	<u>\$ 14,276</u>

For other receivables from subsidiaries, they are mainly for the income from receivables for outsourced processing services.

10) Other payables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiary - EMCH	\$ -	\$ 85,930
-VJP	22,585	-
-Others	3,006	3,157
	<u>\$ 25,591</u>	<u>\$ 89,087</u>

Other payables to subsidiaries mainly include payables for equipment, intangible assets, and hardware parts.

11) Endorsements and guarantees provided

As of December 31, 2020 and 2019, the balance of endorsements and guarantees provided by the Company to some subsidiaries is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiary - Benmeng (Note)	<u>\$ -</u>	<u>\$ 100,000</u>

Note: Please refer to Note 1 in Note 7(1) for details.

c. Information on the remunerations of the key management:

	<u>2020</u>	<u>2019</u>
Salaries and other short-term employee benefits	\$ 19,626	\$ 16,905
Post-employment benefits	449	449
Total	<u>\$ 20,075</u>	<u>\$ 17,354</u>

8. Pledged Assets

Details on the Company's assets pledged as collateral are as follows:

<u>Asset items</u>	<u>Carrying amount</u>		<u>Purpose of collateral</u>
	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	
Time deposits pledged (listed in financial assets at amortized cost - current)	\$ 2,400	\$ 8,400	Bank borrowings
Listed stocks (listed in financial assets measured at FVTPL - non-current and investments accounted for using the equity method)	1,336,478	432,512	"
Property, plant and equipment	2,791,879	2,818,325	"
Investment property	<u>85,834</u>	<u>88,108</u>	"
	<u>\$ 4,216,591</u>	<u>\$ 3,347,345</u>	

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Property, plant and equipment	<u>\$ 20,502</u>	<u>\$ 20,775</u>

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

None.

11. Material events after the balance sheet date

Please refer to Note 6(18)6 for the earnings distribution proposal for 2020 proposed by the board of directors on March 25, 2021.

12. Others

a. Capital management

The Company's capital management objectives are to ensure that the Company can continue as a going concern, maintain the best capital structure to reduce capital cost, and provide dividends to shareholders.

b. Financial instruments

1) Type of financial instruments

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss (FVTPL)		
Financial assets mandatorily at fair value through profit or loss	<u>\$ 4,608,212</u>	<u>\$ 3,632,508</u>
Financial assets at FVTOCI		
Investment in designated equity instruments selected	<u>\$ 47,441</u>	<u>\$ 32,160</u>
Financial assets measured at amortized cost/loans and receivables		
Cash and cash equivalents	\$ 759,771	\$ 1,101,394
Financial assets at amortized cost - current	2,400	8,400
Notes receivable	242	5,424
Trade receivable	1,155,525	1,210,373
Other receivables	1,582,507	2,033,455
Refundable deposits (listed in other non-current assets)	5,053	5,531
	<u>\$ 3,505,498</u>	<u>\$ 4,364,577</u>
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost		
Short-term borrowings	\$ 110,341	\$ 150,000
Notes payable	86,349	321,338
Trade payables	349,576	212,924
Other payables	440,689	389,643
Long-term borrowing (including due within one year or one operating cycle)	2,130,000	2,360,460
Guarantee deposits received (listed in other non-current liabilities)	6,048	5,223
	<u>\$ 3,123,003</u>	<u>\$ 3,439,588</u>
Lease liabilities	<u>\$ 11,934</u>	<u>\$ 22,324</u>

2) Risk management policy

- a) The Company's daily operations 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 Company, the Company engages in forward foreign exchange contracts and currency swap contracts to avoid exchange rate risk. The derivatives traded by the Company are for the purpose of hedging risks and are not used for trading or speculation.
 - b) Risk management is carried out by the Company finance department in accordance with the policies approved by the board of directors. The Company's finance department is responsible for identifying, evaluating, and avoiding financial risks through close collaboration with the Company'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.
- 3) The nature and level of material financial risks
- a) Market risk
 - Exchange rate risk
 - i. The Company 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. The exchange rate risk arises from future business transactions and assets and liabilities recognized.
 - ii. The management of the Company has established policies to regulate the Company's exchange rate risk in relation to its functional currency. The finance department shall hedge against the overall exchange rate risk. 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 Company uses forward foreign exchange contracts to hedge against exchange rate risk while hedging accounting is not applied.
 - iv. The Company's business involves a number of non-functional currencies (the functional currencies of the Company and some subsidiaries are NTD, while the functional currencies of other subsidiaries are USD and CNY). Therefore, it is affected by exchange rate fluctuations. Information on foreign currency assets and liabilities influenced by significant exchange rate fluctuations is as follows:

	currencies (thousand)		(NTD)
(Foreign currency: Functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 55,085	28.10	\$ 1,547,889
JPY: NTD	119,366	0.2725	32,527
EUR: NTD	788	34.59	27,257
CNY: NTD	9,488	4.325	41,036
<u>Non-monetary items</u>			
USD: NTD	\$ 148,774	28.10	\$ 4,180,549
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	\$ 5,935	28.10	\$ 166,774
JPY: NTD	43,465	0.2725	11,844

	<u>December 31, 2019</u>		
	Foreign currencies (thousand)	Exchange rate	Carrying Amount (NTD)
(Foreign currency: Functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 78,823	29.99	\$ 2,363,902
JPY: NTD	151,093	0.2761	41,717
<u>Non-monetary items</u>			
USD: NTD	\$ 132,224	29.99	\$ 3,965,398
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	\$ 3,689	29.99	\$ 110,633
JPY: NTD	30,875	0.2761	8,525

- v. The information on unrealized exchange gains or losses on Company's monetary items influenced by significant exchange rate fluctuations is as follows:

<u>2020</u>			
<u>Exchange gains or losses</u>			
	Foreign currencies (thousand)	Exchange rate	Carrying amount
(Foreign currency: Functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ -	28.10	(\$ 104,110)
JPY: NTD	-	0.2725	(430)
EUR: NTD	-	34.59	749
CNY: NTD	-	4.325	285
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	\$ -	28.10	(\$ 11,217)
JPY: NTD	-	0.2725	(157)

<u>2019</u>			
<u>Exchange gains or losses</u>			
	Foreign currencies (thousand)	Exchange rate	Carrying amount
(Foreign currency: Functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ -	29.99	\$ 58,723
JPY: NTD	-	0.2761	196
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	\$ -	29.99	\$ 2,748
JPY: NTD	-	0.2761	40

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

<u>2020</u>			
<u>Sensitivity analysis</u>			
	<u>Exchange rate band</u>	<u>Effect on profit and loss</u>	<u>Effect on other comprehensive income</u>
(Foreign currency: Functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
	1		
USD: NTD	%	\$ 15,479	\$ -
	1		
JPY: NTD	%	325	-
	1		
EUR: NTD	%	273	-
	1		
CNY: NTD	%	410	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
	1		
USD: NTD	%	\$ 1,668	\$ -
	1		
JPY: NTD	%	118	-

<u>2019</u>			
<u>Sensitivity analysis</u>			
	<u>Exchange rate band</u>	<u>Effect on profit and loss</u>	<u>Effect on other comprehensive income</u>
(Foreign currency: Functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
	1		
USD: NTD	%	\$ 23,639	\$ -
	1		
JPY: NTD	%	417	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
	1		
USD: NTD	%	\$ 1,106	\$ -
	1		
JPY: NTD	%	85	-

Price risk

- i. The Company'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 Company diversifies its portfolio. Diversification of the portfolio is conducted in accordance with limits set by the Company.
- ii. The Company primarily invests in equity instruments and open-end funds issued by domestic companies, and the price of such equity instruments is affected by the uncertainty of the future value of the investment target. If the price of said equity instruments rose or fell by 1%, with all other factors remaining unchanged, the net income after tax for 2020 and 2019 would have increased or decreased by NT\$46,079 and NT\$36,325, respectively, due to the gains or losses on equity instruments at FVTPL, and the other comprehensive income would have increased or decreased by NT\$474 and NT\$322 for 2020 and 2019, respectively, because of the gains or losses on the equity instrument investment at FVTOCI.

Interest rate risk of cash flow and fair value

- i. The Company'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 Company's loans taken out at floating interest rates were mainly denominated in NTD, USD, and CNY.
 - ii. The Company's loans are measured at amortized cost and the annual interest rate will be repriced every year according to the contracts. Therefore, the Company is exposed to the risk of future market interest rate changes.
 - iii. 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 Company is the risk of financial loss suffered by the Company 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 Company has established credit risk management from the Company'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, the Company 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 Company 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 Company 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 Company 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 Company writes off the amount of financial assets that cannot be reasonably expected to be recovered. However, the Company will continue to carry out the legal recourse procedures to preserve the creditor's rights. As of December 31, 2020 and 2019, the Company had no claims that had been written off nor recourse activities underway.

vii.

- (i) The Company 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:

	<u>Expected loss rate</u>	<u>Total carrying amount</u>	<u>Loss allowance</u>	<u>Total</u>
<u>December 31, 2020</u>				
Not past due	0.5%	\$30,103	(\$151)	\$29,952
Overdue for 1–30 days	2.7%	8,865	(239)	8,626
Overdue for 31–60 days	4.4%	4,142	(182)	3,960
Overdue for 61–90 days	8.5%	2,231	(190)	2,041
Overdue for 91–180 days	10.6~22.4%	23,928	(4,057)	19,871
Overdue for more than 180 days	26.7~100%	<u>163,543</u>	<u>(93,203)</u>	<u>70,340</u>
Total		<u>\$232,812</u>	<u>(\$98,022)</u>	<u>\$134,790</u>

	<u>Expected loss rate</u>	<u>Total carrying amount</u>	<u>Loss allowance</u>	<u>Total</u>
<u>December 31, 2019</u>				
Not past due	0.5%	\$80,870	(\$404)	\$80,466
Overdue for 1–30 days	2.7%	42,737	(1,154)	41,583
Overdue for 31–60 days	4.4%	36,822	(1,620)	35,202
Overdue for 61–90 days	8.5%	17,138	(1,457)	15,681
Overdue for 91–180 days	10.6~22.4%	76,893	(12,863)	64,030
Overdue for more than 180 days	26.7~100%	<u>10,274</u>	<u>(10,274)</u>	=
Total		<u>\$264,734</u>	<u>(\$27,772)</u>	<u>\$236,962</u>

- (ii) For customers with good credit ratings, the Company 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\$1,022,772 and NT\$980,245, respectively, and the loss allowance was NT\$1,795 and NT\$1,410, respectively.

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

	<u>2020</u>			
	Notes receivable and trade receivable (including related parties)	Other receivables (including related parties)	Overdue receivables	Total
January 1	\$ 29,182	\$ 406,914	\$545,725	\$ 981,821
Impairment loss	72,669	520	-	73,189
Reversal of impairment loss	-	-	(201)	(201)
Write-off of unrecoverable accounts	(2,034)	-	(494,969)	(497,003)
December 31	<u>\$ 99,817</u>	<u>\$ 407,434</u>	<u>\$ 50,555</u>	<u>\$ 557,806</u>

	<u>2019</u>			
	Notes receivable and trade receivable (including related parties)	Other receivables	Overdue receivables	Total
January 1	\$ 25,930	\$ 406,914	\$553,999	\$ 986,843
Impairment loss	3,252	-	-	3,252
Reversal of impairment loss	-	-	(8,274)	(8,274)
December 31	<u>\$ 29,182</u>	<u>\$ 406,914</u>	<u>\$545,725</u>	<u>\$ 981,821</u>

In the losses recognized in 2020 and 2019, the impairment (losses) gains arising from receivables from customer contracts were NT\$72,468 and NT\$5,022, respectively.

c) Liquidity risk

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

- ii. In the table below, The Company's non-derivative financial liabilities are grouped according to their relevant maturity dates, and are analyzed based on the remaining period from the balance sheet date to the contractual maturity date. The contractual cash flow amounts disclosed in the table below are undiscounted amounts.

<u>Non-derivative financial liabilities:</u>				
December 31, 2020	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 110,341	\$ -	\$ -	\$ -
Notes payable	86,349	-	-	-
Trade payables	349,576	-	-	-
Other payables	440,689	-	-	-
Lease liabilities	10,072	1,980	-	-
Long-term borrowings (including due within one year or one operating cycle and estimated interest accrued)	570,948	587,991	1,016,333	-
Guarantee deposits received (listed in other non-current liabilities)	-	1,455	916	3,677
<u>Non-derivative financial liabilities:</u>				
December 31, 2019	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 150,000	\$ -	\$ -	\$ -
Notes payable	321,338	-	-	-
Trade payables	212,924	-	-	-
Other payables	389,643	-	-	-
Lease liabilities	11,916	8,772	1,980	-
Long-term borrowings (including due within one year or one operating cycle and estimated interest accrued)	911,406	697,372	819,992	-
Guarantee deposits received (listed in other non-current liabilities)	-	630	916	3,677

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 Company 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 Company belongs to this level.

Level-III: Unobservable asset or liability inputs. The equity instruments without active markets invested by the Company belong to this level.

- 2) Financial instruments not measured at fair value

The carrying amounts of the Company's financial instruments not measured at fair value, including cash and cash equivalents, financial assets at amortized cost, notes receivable, trade receivable, other receivables, refundable deposits (listed in other non-current assets), overdue receivables (listed in other non-current assets), short-term borrowings, notes payables, trade payables, other payables, long-term borrowings (including due within one year or one operating cycle), and guarantee deposits received (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 Company based on the nature, characteristics, risk, and the level of fair value of assets and liabilities. The relevant information is as follows:

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

December 31, 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Fair value on a recurring basis</u>				
Financial assets at fair value through profit or loss (FVTPL)				
Equity securities	\$ 4,607,911	\$ -	\$ -	\$4,607,911
Derivative instruments	-	301	-	301
Financial assets at FVTOCI				
Equity securities	-	-	47,441	47,441
Total	<u>\$ 4,607,911</u>	<u>\$ 301</u>	<u>\$ 47,441</u>	<u>\$4,655,653</u>

December 31, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Fair value on a recurring basis</u>				
Financial assets at fair value through profit or loss (FVTPL)				
Equity securities	\$ 3,632,508	\$ -	\$ -	\$3,632,508
Financial assets at FVTOCI				
Equity securities	-	-	32,160	32,160
Total	<u>\$ 3,632,508</u>	<u>\$ -</u>	<u>\$ 32,160</u>	<u>\$3,664,668</u>

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

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

<u>Market quoted prices</u>	<u>Listed Stocks</u> <u>Closing price</u>

- 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 Company 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 Company. 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:

	<u>2020</u>	<u>2019</u>
	<u>Equity instruments</u>	<u>Equity instruments</u>
January 1	\$ 32,160	\$ 31,860
Increase for the current period	-	4,471
Decrease for the current period	(1,934)	(15,299)
Listed in unrealized gain/loss on investments in equity instruments at FVTOCI	17,215	11,128
December 31	<u>\$ 47,441</u>	<u>\$ 32,160</u>

- 6) There were no transfers into or out of Level 3 fair value in 2020 and 2019.
- 7) In the Company'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:

	<u>Fair value on</u> <u>December 31,</u> <u>2020</u>	<u>Valuation</u> <u>techniques</u>	<u>Significant</u> <u>unobservable</u> <u>inputs</u>	<u>Interval</u> <u>(weighted</u> <u>average)</u>	<u>Relationship</u> <u>between input</u> <u>and fair value</u>
Non-derivative equity instruments:					
Unlisted stocks	\$46,575	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	866	Net asset value method	N/A	N/A	N/A
	<u>Fair value on</u> <u>December 31,</u> <u>2019</u>	<u>Valuation</u> <u>techniques</u>	<u>Significant</u> <u>unobservable</u> <u>inputs</u>	<u>Interval</u> <u>(weighted</u> <u>average)</u>	<u>Relationship</u> <u>between input</u> <u>and fair value</u>
Non-derivative equity instruments:					
Unlisted stocks	\$28,579	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	3,581	Net asset value method	N/A	N/A	N/A

- 9) The Company 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: Note 6(2).
- 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: 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.

Information on major shareholders

Information on major shareholders: Table 11.

14. Segment Information

N/A.

TABLE 1

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	Yongxing Multimedia	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	Zhong Jia	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:

(3) The Company is coded “0”.

(4) 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.

(3) In the case of business transactions, please enter 1.

(4) 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)

Party Endorsed/Guaranteed														
No. (Note 1)	Company Name (Endorsement/Guarantee Provider)	Company Name	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:
(3) The issuer is coded “0”.
(4) 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:
(8) A company with which it conducts business.
(9) A subsidiary in which the Company holds at least 50% of the voting shares directly and indirectly.
(10) A company that holds at least 50% of the Company's voting shares directly and indirectly.
(11) Between companies in which the Company holds at least 90% of the voting shares directly and indirectly.
(12) 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.
(13) Companies that are endorsed and guaranteed by all shareholders based on their shareholding ratios because of a joint investment relationship.
(14) 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.

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)
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	Number of Shares	End of Period Carrying Amount (Note 2)	Shareholding Percentage (%)	Fair Value	Remarks
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.

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)****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			Fair Value	Remarks
				Number of Shares	Carrying Amount (Note 2)	Shareholding Percentage (%)		
Zhong Jia	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		-	
					<u>\$ 724,436</u>		<u>\$ 724,436</u>	
	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)		-	
					<u>\$ 1,763,790</u>		<u>\$ 1,763,790</u>	
	Stock of Orgchem Technologies, Inc.		Financial assets at FVTOCI - non-current		\$ 123,652			
			Adjustment to valuation		(44,049)			
					<u>\$ 79,603</u>		<u>\$ 79,603</u>	

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

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			Fair Value	Remarks
				Number of Shares	Carrying Amount (Note 2)	Shareholding Percentage (%)		
Deltamac	Common stock of Self Pick Inc.		Financial assets at FVTOCI - non-current Adjustment to valuation	500,000	\$ 828 (467) \$ 361	6.25	\$ 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	
EMCH	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	
	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.

TABLE 4

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)

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	Acquired (Note 3)		Sold (Note 3)			End of Period		
							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.	"	-	-	-	-	-	793,642	1,947	780,609	793,642	(13,033)	-	-
Zhong Jia	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	
The Company	Yongxing Multimedia	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	Yongxing Multimedia	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.

TABLE 7

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	Yongxing Multimedia	Sub-subsidiary	250,090	Note 2	-	-	-	-
Zhong Jia	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)	General Ledger Account	Transaction Details		Proportion to Total Consolidated Revenue or Assets (Note 3)
					Amount (Note 7)	Transaction Conditions	
0	The Company	Yongxing Multimedia	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	Yongxing Multimedia	1	Other receivables	250,090	Note 6	1.01%
2	Zhong Jia	Asia 1 Entertainment	3	Other receivables	217,000	Note 6	0.87%
3	VHK	Yongxing Multimedia	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:

(3) The parent company is coded "0".

(4) 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:

(4) Parent to subsidiary

(5) Subsidiary to parent

(6) 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 Yongxing Multimedia. In addition to the payment terms of Yongxing Multimedia, 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)	"
"	Zhong Jia	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)	"
"	Benmeng	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 Subsidiary of F5,
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)	-	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 Subsidiary of the Company (Note 3)
Zhong Jia	CIA	Cayman Islands	Professional investment company	111,185	111,185	4,692,049	13.65	95,870	(10,277)	-	
"	Benmeng	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
"	Others	Others		-	-	-	-	50,815	-	-	Investee measured using the equity method by Zhong Jia (Note 3) 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.

TABLE 10

CMC Magnetcs 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)	Amount of Investment Remitted or Recovered in Current Period		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
					Remitted to Mainland China	Remitted back to Taiwan							
Jiangsu Yongxing Multimedia 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, 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 Magnetcs 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.

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.

STATEMENT 1**CMC Magnetix Corporation****Cash and cash equivalents****December 31, 2020****Unit: NT\$ thousands**

Items	Summary	Amount
Cash on hand		\$ 218
Petty cash		120
Bank deposits		
-Checking account deposits		400
-NTD demand deposits		572,999
-Foreign currency demand deposits	USD 3,525,464.65 at an exchange rate of USD 1 to NTD 28.10	99,066
	GBP 110,901.67 at an exchange rate of GBP 1 to NTD 38.35	4,253
	EUR 654,698.68 at an exchange rate of EUR 1 to NTD 34.59	22,646
	JPY 106,164,778 at an exchange rate of JPY 1 to NTD 0.2725	28,930
	CNY 210,166.74 at an exchange rate of CNY 1 to NTD 4.325	909
	AED 30,001.36 at an exchange rate of AED 1 to NTD 7.651	230
- Time deposits		30,000
		<u>\$ 759,771</u>

The time deposits above are all maturing within three months, and the interest rate is approximately 0.38%

STATEMENT 2**CMC Magnetics Corporation****Financial assets at fair value through profit or loss - current****December 31, 2020****Unit: NT\$ thousands**

Name of Securities	Summary	Number of Shares/Units	Face value (NT\$)	Total Amount	Interest Rate	Cost of Acquisition	Market price		Guarantee or Pledge
							Unit Price (NT\$)	Total Amount	
Listed stocks	Listed stocks (Taiwan Stock Exchange)			\$					
- Taiwan High Speed Rail		39,133,000	\$ 10	391,330	-	\$ 1,299,241	\$ 31.70	\$ 1,240,516	N/A
-Chateau International Development Co.,Ltd.	"	12,391,421	10	123,914	-	386,650	28.60	354,395	"
- Tainan Enterprises Co., Ltd.	"	13,645,000	10	136,450	-	364,779	19.05	259,937	"
- Chung Hsin Electric & Machinery Manufacturing Corporation	"	6,557,000	10	65,570	-	362,566	53.60	351,455	"
- Farglory Hotel Co., Ltd.	"	3,346,000	10	33,460	-	98,042	51.90	173,657	"
- United Microelectronics Corp.	"	4,553,000	10	45,530	-	213,668	47.15	214,674	"
- Largan Precision Company Limited	"	148,000	10	1,480	-	489,726	3,195.00	472,860	"
- Others		-	-	-	-	228,858	-	235,961	"
Derivative financial products									
-Forward contracts						301		301	
						3,443,831		<u>\$ 3,303,756</u>	
Adjustment to valuation						(140,075)			
						<u>\$ 3,303,756</u>			

CMC Magnetics Corporation

Trade receivable

December 31, 2020

Unit: NT\$ thousands

Customer Name	Summary	Amount	Remarks
Non-related Parties			
Customer A		\$ 187,089	
Customer B		76,206	
			The balance of each customer in this category did not exceed 5% of the balance of this account
Others		227,543	
		490,838	
Related Parties			
Customer C		491,102	
Customer D		86,387	
Customer E		78,469	
Customer F		57,310	
Customer G		45,789	
			The balance of each customer in this category did not exceed 5% of the balance of this account
Others		5,445	
		764,502	
Subtotal		1,255,340	
Less: Allowance for loss		(99,815)	
		<u>\$ 1,155,525</u>	

CMC Magnetics Corporation

Other receivables

December 31, 2020

Unit: NT\$ thousands

Items	Summary	Amount	Remarks
Non-related Parties			
		\$	
Receivables on sale of stocks		125,483	
Retained receivables on trade receivable factored		27,846	
Tax refunds receivable		12,299	
			The balance of each item in this category did not exceed 5% of the balance of this account
Others		9,284	
		174,912	
Related Parties			
Financing receivables - related parties		\$ 1,718,249	
			The balance of each item in this category did not exceed 5% of the balance of this account
Others		96,780	
		1,815,029	
Subtotal		1,989,941	
		(407,434	
Less: Allowance for loss		)	
		<u>\$ 1,582,507</u>	

CMC Magnetics Corporation

Inventories

December 31, 2020

Unit: NT\$ thousands

<u>Items</u>	<u>Summary</u>	<u>Amount</u>		<u>Remarks</u>
		<u>Cost</u>	<u>Net realizable value</u>	
Raw materials		\$ 329,330	\$ 305,564	The allowance for inventory valuation losses is based on cost or net realizable value, whichever is lower.
Work-in-progress		693	693	
Finished goods		469,550	445,663	
Merchandise inventory		450,076	512,893	
Inventory in transit		<u>33,557</u>	<u>33,557</u>	
		\$ 1,283,206	<u>\$ 1,298,370</u>	
Less: Allowance for inventory valuation losses		<u>(142,473)</u>		
		<u>\$ 1,140,733</u>		

CMC Magnetics Corporation
Changes in investments accounted for using the equity method
For the Year Ended December 31, 2020
Unit: NT\$ thousands

Name of Investee	Opening Balance			Increase for the current period		Decrease for the current period		Closing Balance			Market Value or Net Equity		Security or Pledge
	Number of Shares	Shareholding Percentage (%)	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Shareholding Percentage (%)	Amount	Unit Price (NT\$)	Total Price	
EMC Investment Holding Ltd.	61,527	100.00	\$ 3,492,143	-	\$ 376,278	-	(\$ 262,572)	61,527	100.00	\$ 3,605,849	\$ 60,374.76	\$ 3,714,678	N/A
CIA Holding Corp.	29,688,245	86.35	490,927	-	744	-	(83,219)	29,688,245	86.35	408,452	14.96	465,875	"
Zhong Jia International Investment Co., Ltd.	261,595,273	100.00	3,768,033	-	626	-	(313,596)	261,595,273	100.00	3,457,629	14.22	3,719,245	"
CMC Entertainment Holding Corporation	66,400,000	100.00	42,823	-	3,192	-	-	66,400,000	100.00	50,754	0.76	50,754	"
CMC Movie Corporation	35,000,000	100.00	188,006	-	7	-	(14,632)	35,000,000	100.00	173,381	4.91	171,931	"
Sun Well Solar Corporation	154,991,112	98.82	(774,408)	-	-	-	(73,685)	154,991,112	98.82	(848,093)	(5.61)	(869,040)	"
Sun Q Corporation Limited	64,052,000	58.20	(21,259)	-	-	-	(1,051)	64,052,000	58.20	(22,310)	(3.97)	(254,234)	"
Transtouch Technology Inc.	15,353,223	52.47	392,200	-	612	-	(16,089)	15,353,223	52.60	376,723	15.70	241,046	Note:
Asia 1 Entertainment Co., Ltd.	11,868,528	93.59	(236,292)	-	-	-	(10,109)	11,868,528	93.59	(246,401)	(20.76)	(246,401)	N/A
Benmeng Optoelectronics Co., Ltd.	7,543,758	47.10	(66,902)	-	-	(7,543,758)	66,902	-	-	-	-	-	"
Deltamac (Taiwan) Co., Ltd.	28,449,575	38.91	175,747	-	467	(13,557,560)	(33)	14,892,015	38.91	176,181	11.85	176,470	"
CMC Entertainment Hub Corporation	22,000,000	100.00	92,617	4,000,000	40,000	(12,700,000)	(35,595)	13,300,000	100.00	97,022	3.73	97,022	"
			7,543,635		421,926		(743,679)			7,229,187			
Add: Credit balance of long-term investment reclassified to other liabilities			1,098,861		-		17,943			1,116,804			
			<u>\$ 8,642,496</u>		<u>\$ 421,926</u>		<u>(\$ 725,736)</u>			<u>\$ 8,345,991</u>			

Note: Th Company has pledged 2,643,000 shares as collateral for bank loans.

CMC Magnetics Corporation

Notes payable and trade payables - non-related parties

December 31, 2020

Unit: NT\$ thousands

<u>Name of Supplier</u>	<u>Summary</u>	<u>Amount</u>	<u>Remarks</u>
Notes payable			
Supplier A		\$ 20,830	
Supplier B		16,371	
Supplier C		10,233	
Supplier D		8,061	
Supplier E		4,486	
			The balance of each supplier in this category did not exceed 5% of the balance of this account
Other minor suppliers		26,368	
		86,349	
Trade payables			
Supplier F		\$ 63,842	
Supplier G		59,619	
Supplier H		49,915	
Supplier I		27,263	
Supplier J		19,061	
			The balance of each supplier in this category did not exceed 5% of the balance of this account
Other minor suppliers		122,511	
		342,211	
		<u>\$ 428,560</u>	

STATEMENT 8

CMC Magnetics Corporation

Long-term borrowings

December 31, 2020

Unit: NT\$ thousands

Lender	Summary	Due Within One Year	Due Beyond One Year	Total	Loan Period	Interest Rate	Security or Collateral	Remarks
Entie Commercial Bank, Ltd.	Mid-term loan (secured)	\$ -	\$ 350,000	\$ 350,000	2020.06–2023.06	Note 1	Property, plant and equipment	
	Mid-term loan (secured)	-	350,000	350,000	2019.03–2022.04	"	"	
Taipei Fubon Commercial Bank		-	650,000	650,000	2017.03–2022.03	"	"	
The Shanghai Commercial & Savings Bank, Ltd.	Mid-term loan (secured)	56,000	14,000	70,000	2018.05–2022.05	"	"	
The Shanghai Commercial & Savings Bank, Ltd.	Mid-term loan (secured)	50,000	25,000	75,000	2020.05–2022.05	"	"	
Taishin International Bank	Mid-term loan (secured)	-	250,000	250,000	2019.11–2021.11	"	Securities	
KGI Commercial Bank Co., Ltd.	Mid-term loan (secured)	300,000	-	300,000	2019.11–2021.11	"	Property, plant and equipment	
	Mid-term loan	25,000	-	25,000	2018.04–2021.04	"	Credit	
O-Bank Co., Ltd.	Mid-term loan	110,000	-	110,000	2020.06–2022.06	"	"	
O-Bank Co., Ltd.	Mid-term loan	-	100,000	100,000	2020.06–2022.06	"	"	
O-Bank Co., Ltd.	Mid-term commercial paper	-	200,000	200,000		"	Securities	
		<u>\$ 541,000</u>	<u>\$ 1,589,000</u>	<u>\$ 2,130,000</u>				

Note: The interest rate range is 1.24%–1.67%.

CMC Magnetics Corporation
Operating revenue
For the Year Ended December 31, 2020
Unit: NT\$ thousands

Items	Summary	Amount	Remarks
Sales revenue	Storage media products	\$ 3,950,866	
Less: Sales return and discount		(15,672)	
		<u>\$ 3,935,194</u>	

CMC Magnetics Corporation
Operating costs
For the Year Ended December 31, 2020
Unit: NT\$ thousands

<u>Items</u>	<u>Summary</u>	<u>Amount</u>	<u>Remarks</u>
Raw materials, beginning of period		\$ 448,433	
Add: Purchase of raw materials		1,254,981	
Less: Sale of raw materials	(	5,871)	
Raw materials, end of period (inventory in transit)		(362,887)	
Others	(	4,890)	
Direct raw materials consumed		1,329,766	
Direct labor		461,428	
Production overheads		994,552	
Less: Unamortized fixed production overheads	(	54,246)	
Production overheads in current period		2,731,500	
Less: Work-in-process, end of period	(	693)	
Less: Others	(	591)	
Cost of finished goods		2,730,216	
Finished goods, beginning of period		443,625	
Less: Finished products, end of period	(	469,550)	
Others	(	7,561)	
Cost of self-made products sold		2,696,730	
Merchandise inventory, beginning of period		401,110	
Add: Purchases in current period		572,484	
Less: Merchandise inventory, end of period	(	450,076)	
Cost of merchandise inventory and goods sold		523,518	
Cost of raw materials sold		5,871	
Cost of inventories sold		3,226,119	
Other operating costs		10,067	
Gains on price recovery of inventory	(	3,033)	
Revenue from sale of tailings and scraps	(	463)	
Unamortized fixed production overheads		54,246	
Cost of goods sold		<u>\$ 3,286,936</u>	

CMC Magnetics Corporation
Production overheads
For the Year Ended December 31, 2020
Unit: NT\$ thousands

Items	Summary	Amount	Remarks
Depreciation		\$ 463,261	
Water, electricity, and gas fee		277,144	
Indirect labor		108,363	
Insurance premium		54,686	
Other production overheads		91,098	The balance of each item did not exceed 5% of the amount of this account
		<u>\$ 994,552</u>	

CMC Magnetics Corporation
Selling and marketing expenses
For the Year Ended December 31, 2020
Unit: NT\$ thousands

Items	Summary	Amount	Remarks
Royalties and export fees		113,562	
Freight charge		44,706	
Amortization expenses		21,482	
Advertising expenses		20,783	
Salaries and wages		13,401	
Other expenses		20,387	The balance of each item did not exceed 5% of the amount of this account
		<u>\$ 234,321</u>	

CMC Magnetics Corporation
Administrative expenses
For the Year Ended December 31, 2020
Unit: NT\$ thousands

Items	Summary	Amount	Remarks
Salaries and wages		\$ 49,417	
Entertainment fee		24,382	
Tax expense		16,442	
Service fees		11,434	
Utility fees		7,572	
Other expenses		21,325	The balance of each item did not exceed 5% of the amount of this account
		<u>\$ 130,572</u>	

CMC Magnetics Corporation
Research and development expenses
For the Year Ended December 31, 2020
Unit: NT\$ thousands

Items	Summary	Amount	Remarks
Testing expense		\$ 47,660	
Depreciation		39,909	
Salaries and wages		33,756	
R&D material expense		18,874	
Utility fees		16,580	
Service fees		15,124	
Hardware parts		14,533	
Other expenses		33,302	The balance of each item did not exceed 5% of the amount of this account
		<u>\$ 219,738</u>	

VI. The Impact on the Company's Financial Status Due to the Company or Its Affiliates' Encounter of Financial Turnover Difficulties

None.

Chapter 7 Management's Discussion and Analysis of Financial Condition and Risk Factors

I. Financial Status

(I) Comparative table of financial condition:

Consolidated Balance Sheets

Unit: NT\$1,000

Item \ Year	2019	2020	Difference		
			Amount	%	Description
Current assets	14,096,882	13,284,631	(812,251)	(6%)	
Long-term investment Note 1	3,088,188	3,783,966	695,778	23%	1
Property, plant and equipment	6,329,013	5,547,534	(781,479)	(12%)	
Other Assets	1,944,057	2,188,878	244,821	13%	2
Total Assets	25,458,140	24,805,009	(653,131)	(3%)	
Current liabilities	3,995,718	3,406,467	(589,251)	(15%)	
Non-current liabilities	1,928,774	2,076,891	148,117	8%	
Total Liabilities	5,924,492	5,483,358	(441,134)	(7%)	
Share capital	11,588,812	11,588,812	0	0%	
Capital surplus	7,700,295	7,642,963	(57,332)	(1%)	
Retained earnings	213,793	150,933	(62,860)	(29%)	2
Total Equity	19,533,648	19,321,651	(211,997)	(1.1%)	
Description on the analysis of the increase and decrease of the proportion change: the change ratio is less than 20% and the absolute amount is less than \$10,000,000, which will not be analyzed.					

Note 1: Long-term investment includes non-current financial assets measured at fair value through profit and loss, non-current financial assets measured at fair value through other comprehensive profits and losses, non-current financial assets measured at amortized cost and investment under the equity method.

(II) Description on financial difference analysis:

1. It is mainly due to reclassification of financial assets-current measured at fair value through profit or loss to non-current in accordance with the purpose of holding.
2. It is mainly due to the impact of the operating results of the current year and the distribution of cash dividends.

II. Financial Performance

(I) Comparative table of financial performance:

Consolidated Statements of Comprehensive Income

Unit: NT\$1,000

Item	Year	2019	2020	Change, by Amount	Change (%)	Description
Sales Revenue		7,045,247	9,401,027	2,355,780	33	1
Operating costs		(5,926,766)	(7,397,634)	1,470,868	25	2
Gross Profit		1,118,481	2,003,393	884,912	79	
Operating Expenses		(1,212,085)	(2,234,737)	1,022,652	84	3
Net Operating Profit (Loss)		(93,604)	(231,344)	(137,740)	(147)	
Non-operating income and expenses		307,283	460,894	153,611	50	4
Net profit (loss) before tax		213,679	229,550	15,871	7	
Income tax (expense) profit		(2,163)	(104,723)	102,560	4,742	5
Net loss for the ongoing operating business unit		211,516	124,827	(86,689)	41	
Loss from Discontinued Operations		(43,930)	0	43,930	100	
Net Income		167,586	124,827	(42,759)	(26)	
Other comprehensive income (loss) for the year		38,983	(149,294)	(188,277)	(483)	
Total comprehensive income for the year		206,569	(24,467)	(231,036)	(112)	
Equity attributable to owners of parent company in current period		228,705	111,073	(117,632)	(51)	
Comprehensive equity attributable to owners of parent company in current period		256,575	(44,537)	(301,112)	(117)	

(II) Financial performance analysis:

1. It is mainly due to acquisition of business entity of Verbatim brand on December 31, 2019, causing the higher operating income than previous year.
2. It is mainly due to acquisition of business entity of Verbatim brand on December 31, 2019, causing the higher operating income than previous year.
3. It is mainly due to acquisition of Verbatim brand on December 31, 2019, causing the higher operating expense than previous year.
4. It is mainly due to acquisition of Verbatim brand on December 31, 2019, which is recognized as buy cheap benefit.
5. It is mainly due to acquisition of business entity of Verbatim brand on December 31, 2019, causing the higher income expense than previous year.

III. Cash Flow

(I) Analysis on changes in cash flow in recent years

Unit: NT\$1,000

Item \ Year	2019	2020	Increase (decrease) ratio
Cash Flow Ratio (%)	N/A	6.85	N/A
Cash Flow Adequacy Ratio (%)	334.23	156.94	(53%)
Cash Reinvestment Ratio (%)	N/A	1.2	N/A
Description on Cash Flows: The Company continued to improve its financial structure. In the current period, it repaid bank loans of approximately NT\$770 million. The debt ratio at the end of the period dropped to 22%. With regard to the cash reinvestment, as the industry has reached a mature stage, the Company adopts a prudent and conservative strategy and actively seeks opportunities for transformation.			

Note: The above table analysis description is based on the consolidated financial statements of the Company.

(II) Analysis of cash liquidity for the upcoming year

Unit: NT\$1,000

Cash balance amount at the beginning of the year (1)	Net cash provided by operating activities (2)	Cash flow from Investment & financing inflow (outflow) activities throughout the year (3)	Amount of cash flow balance (insufficiency) (1)+(2)+(3)	Measures for managing cash deficit	
				Investment Plan	Financing Plan
759,771	208,329	(29,425)	938,675	0	0
Analysis on cash flow in next financial year: (1) Despite tougher competitions in the industry in 2021, the Company will continue its expansion in emerging markets and optimization on product structure. We aim to increase the ratio of high-end products to its business revenue. The net cash of business activities is estimated to remain positive. (2) The Company has no major investment plan for year 2021. Operating cash is mainly aimed to repay bank loans. A healthier financial structure, as well as lower total liabilities, is expected.					

Note: The above table analysis is based on the individual financial projections of the Company in the coming year.

IV. Effect on Financial Operations of Any Major Capital Expenditures during the Most Recent Fiscal Year

Annual capital expenditure of the Company was NT\$ 170 million in 2020, mainly used to expand and improve the production equipment of high-grade products. It is expected to increase market share of high-grade products with improved quality of products.

V. The Most Recent Annual Investment Transfer Policy, the Main Reason for Its Profit or Loss, Improvement Plan and Investment Plan for the Next Year

The group has acquired Verbatim brand in the end of 2019. The production line has expanded from disc product to hard disc, flash memory and other storage product and electronic accessories. With the global marketing channel of Verbatim, it became an international company that owns global brand, channel, patent, and a complete production line in storage media field. For the future investment plan, in addition to develop brand strategy and improve product technology, and will continue to invest in refined cultural, creative and entertainment industries.

VI. Analysis and Assessment of Risk Issues in the Most Recent Year and up to the Date of Publication of the Annual Report

(I) Organizational structure of risk management:

The management of the Company's various risks is handled by the relevant units according to the nature of its business. The Board of Directors is the highest decision-making body for responding to and handling various risks. The audit unit reviews the existing or potential risks of each operation, and plans to implement a risk-oriented annual audit plan.

Aspect of Consideration	Items of major risk	Risk management authority unit	Influence of impact	Response measures
Environmental	Environmental risk	Human Resources Office	This risk, when occurring, will affect the Company's continuous operation, and even lead to production interruption and loss of personnel and property.	Implement daily security awareness and drills, get familiar with the rescue process, make inspection afterwards to prevent recurrence, and establish a disaster recovery plan to restore production in the shortest time.
Social	Human resource management risk		This risk, when occurring, may cause delays in shipments and delays in product production and replacement personnel, and result in a negative impact on the Company's operations.	Strengthen healthy and safe workplaces, pay attention to environment and personnel management, and perform training on occupational safety knowledge and mechanical protection operations. Strengthening infectious disease prevention measures, including access control at factories, incident response measures, factory disinfection, employee self-health management and health checkups, pandemic reporting mechanism and hospitalization mechanism, and inspection and storage of quarantine supplies
Corporate Governance	Production capacity risk - Insufficient order, and delay in supply of materials - Adjustment of production equipment, and quality control - Natural disasters of force majeure	Procurement Office Photoelectric Product Business Group	Single suppliers of raw material supplier and production equipment may cause the risk of interruption of supply of materials or instability in operation and production.	The Company will avoid exclusive suppliers of raw materials, and foreign suppliers will be required to set up agents or warehouses in Taiwan to avoid affecting production due to insufficient supply. Implement quality system management, regularly confirm production capacity, and provide customer service that can satisfy customers to minimize risks.

Aspect of Consideration	Items of major risk	Risk management authority unit	Influence of impact	Response measures
Corporate Governance	Market Risks - New product development, new customer development - Competitor action, product price changes	Research & Development Center Photoelectric Product Business Group	Customers are too concentrated, rapid change is required, competition among peers is fierce, and the demand for advanced manufacturing processes continues to increase.	It will actively develop diversified products and customer groups in line with customer needs to diversify business concentration risks.
	Information risk - The information system is not working properly - Network security control and protection	Information Technology Office	Any loss of data will affect the normal operation of the individual; in the serious case, it will damage the Company's reputation and cause the loss of operation.	Strengthen information security management and employee law-abiding concepts, and reinforce the Company's computer system backup, encryption capabilities and dedicated management measures; implement employee education and training to avoid the risk of loss of important information.
	Litigation and non-litigation matters	Legal Office	The Company has to pay huge expenses, resulting in increased operating costs.	Minimize possible losses due to claims and litigation of intellectual property rights, strengthen the Company's intellectual property rights portfolio, obtain defensive and offensive intellectual property rights for the Company's technology immediately, and continue to strengthen employees' basic legal awareness through education and training.
	Interest rates, exchange rates, and financial risks	Finance Accounting Investment Office General Manager Office	Changes in interest rates and exchange rates will increase the uncertainty of the Company's operating profit.	By identifying and assessing market risks, for the purpose of avoiding risks, the Company manufactures derivative products to avoid risks in interest rate, exchange rate and finance risks.
	Investment, re-investment and M&A benefits	Finance Accounting Investment Office General Manager Office General Manager Office	Due to the impact of slowdown in economic growth and the economic downturn, investment losses occurred.	The Company's reinvestments are all long-term strategic investments, and the reinvestment plans will continue to be carefully evaluated in the future.

- (II) Interest rate, exchange rate changes, the impact of inflation on the Company's profit and loss, as well as corresponding measures to be taken in the near future:

The financial department of the Company conducts evaluation and analysis on the Company's overall risk location, including exchange rate and interest rate risk, and existing transactions, based on the international political and economic situation. In accordance with the principle of conservative and stable, the net part of natural hedging is used as a hedge trade. The hedging instruments include pre-purchase/pre-sale forward foreign exchange, option, exchange and combination of derivative products, which are handled according to Company regulations. The procedure has been implemented and regularly announced.

Please refer to note 12(2) financial instruments of the consolidated financial statements of this annual report.

- (III) The policy of engaging in high-risk, high-leverage investment, fund lending with others, endorsement guarantees and derivative commodity transactions, the main reasons for profit or loss and future corresponding measures:

The Company's financial operations are based on the principle of conservative and stability, and do not engage in high-risk, high-leverage investment related activities; the derivative commodity trading contracts (see the Company's consolidated financial statements), mainly for the avoidance of profits, exchange rate changes. The resulting risks, their benefits, the benefits of exchange rate changes will generally be offset against the profits and losses of the hedged items, in order to achieve the purpose of hedging.

The purpose of the fund loan and other people's and endorsement guarantees is to conduct the review and risk assessment according to the specifications of the Company's "finance loan and endorsement guarantee operation procedures".

All of the above are handled in accordance with the procedures set by the Company and approved by the Board of Directors. The Company also has a full-time audit department to regularly check the operating procedures of relevant departments to ensure that there are no high-risk, high-level investment related activities.

- (IV) Future R&D projects and intended project expense:

The estimated future investment in research and development is estimated to account for 5.6% of the revenue in 2021. Please refer to page 61 of this annual report for the planned research and development plans.

- (V) The impact of important policies and laws at home and abroad on the Company's financial business and the corresponding measures: None.

- (VI) The impact of technological changes and industrial changes on the Company's financial business and the corresponding measures:

1. Trends in technological advancement:

- (1) The demand for high-definition video and audio materials has grown.
- (2) Long-term data preservation market.
- (3) Environmental protection trends.
- (4) Cloud and long-distance storage.

2. Measures taken by CMC:

- (1) In recent years, Full HD, 3D movies and even the latest 4K audio and video demand, the use of high-capacity high-end optical discs as storage media is currently the best choice, its main feature is to continue to expand storage capacity, whether it is a

single layer (25GB), double Layer (50GB) or three layers (100GB) can meet the needs of various types of high-definition audio and video capacity, and the Company is currently continuing to develop and promote various high-end products.

- (2) Either USB, HDD or Tape all have the shortcomings of long-term preservation of information. The public institutions in the United States, France, Japan, South Korea and China have begun to use CDs as a medium for long-term preservation of important data. How to further increase the capacity and extend the data storage period, and develop the file-level optical disc, which is the goal we have jointly developed with the optical disc manufacturer. This market development trend is also the direction that the Company's business pays close attention to; the Company's high-end products have passed the German Rheinland certification. Laboratory data long-term preservation ability test, estimated to last for 50 years, is the only optical disc manufacturer outside the Japanese disc factory to pass this certification, technical ability and Japanese disc manufacturers.

In addition, during year 2015, the Company officially collaborated with the world's first optical disc brand, Taiyo Yuden, and obtained its exclusive license. With stable quality and special printing technology, it not only grasps the high-margin market opportunities but also take lead in technology.

- (3) The goal of energy saving and carbon saving has become the focus of the research, development, sales and development of enterprises. Currently, all kinds of storage media, CD-ROM is the most energy-saving and lowest carbon dioxide storage media in use, fully in line with the global energy-saving and carbon-reducing environmental trends; the Company's leading global disc manufacturers, the first to complete the carbon footprint certification, with practical proof of the Company's intentions for the global environment. In addition, in effort to respond towards global environmental awareness, CMC continues to use environmentally friendly designs on the appearance or packaging of the products. The optical disc products will become the most friendly products for the global environment in all storage media.
- (4) 5G technology and hardware equipment have gradually improved in recent years, driving the production of more high-speed, low-latency IOT devices. Moreover, the capacity and computing requirements of data centers have doubled, resulting in the development of data centers toward miniaturization and terminalization. The use of terminal data centers in combination with the resources of public and private clouds can reduce the computational complexity of large data centers in the past, and gradually decrease the time and cost of data conversion. In particular, micro data centers can flexibly match storage media according to data types. The Company's high-capacity archival optical discs are characterized by low energy consumption and long storage life, coupled with the characteristics of CD burning and the inability to tamper with data. They are suitable for the high security and high preservation requirements of government agencies, national defense, courts, finance, and medical care. As long as carrying the archival optical disc database in series, micro data centers can be used for long-term backup and preservation of cold data, and can effectively reduce the operating cost and energy consumption of the data center.
- (VII) The impact of corporate image change on corporate crisis management and response measures:

The Company is listed on the Taiwan Stock Exchange, managed and supervised by competent authorities, abide by the laws and regulations, and upholds the business

philosophy of integrity, law-abiding and social responsibility, and maintains good relations with customers, investors and employees. There is no change in quality, but in order to avoid irresistible external factors during the business operation and affect the reputation of the Company, the Company's crisis management mechanism is convened by the General Manager, and the senior directors of each unit act as members of the contingency project team. The team was able to take the necessary measures as soon as possible to ensure the safety of employees and the environment, while ensuring that the Company's operations were normal, in order to maintain corporate image and protect the Company's rights and interests.

(VIII) Expected benefits and possible risks of the merger and the corresponding measures: None.

(IX) Expected benefits and possible risks of the expansion of the plant and corresponding measures: None.

(X) Risks and countermeasures for the concentration of incoming goods or sales: None.

(XI) Directors, Supervisors or shareholders holding more than 10% of the shares, the impact of a large number of shares transferred or replaced on the Company and the risks and corresponding measures: None.

(XII) The impact of changes in management rights on the Company and its risks and corresponding measures: None.

(XIII) Litigation or non-litigation incidents:

1. The Company is still in a major lawsuit in the department, non-litigation or administrative litigation: none.
2. The Directors, Supervisors and shareholders of the Company with a shareholding ratio of more than 10% are currently in the middle of the system. Major litigation, non-litigation or administrative litigation, the result may be significant to shareholders' equity or securities prices influencer: None.

(XIV) Other important risks and corresponding measures: None.

VII. Other Important Matters

1. Disclosure of information on financial product: For fair value information, please refer to note 12(3) of the consolidated financial statement of the annual report.
2. Adopting hedge accounting and its objectives and methods: The Company's financial products (including derivative financial products) do not comply with the hedge accounting, not applicable.

Chapter 8 Special Remarks

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I. Information related to the Company's Affiliate

(I) Report on consolidated operation of related enterprises

CMC Magnetics Corporation

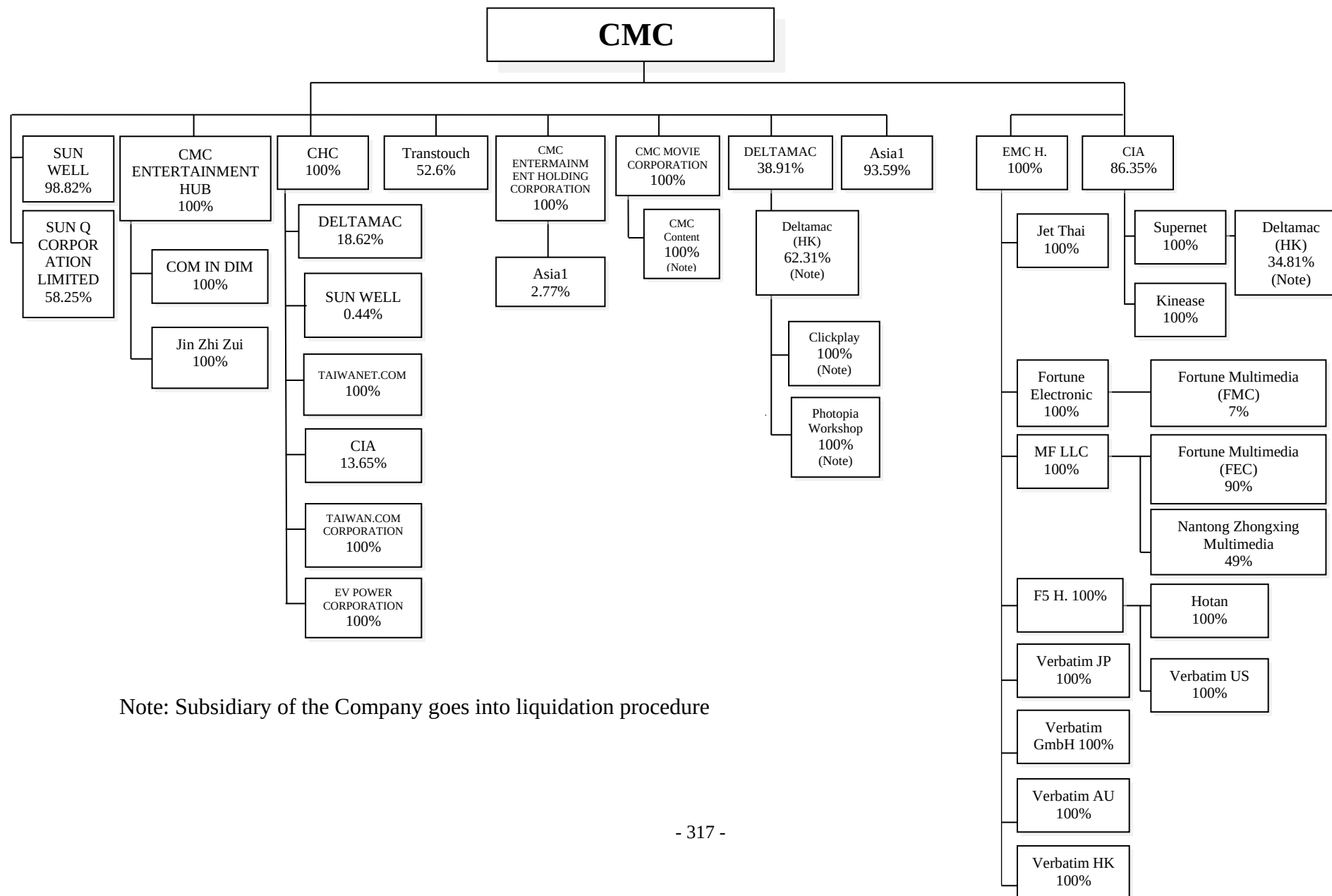
Business report on merger of related enterprises for 2020

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I. Information of the Company's affiliates

(I) Organizational chart of the Company's affiliates



II. Basic information of the Company's affiliates

Unit: NT\$1,000

Company Name	Establishment date	Address	Paid-in Capital	Major Lines of Business or Products
DELTAMAC (TAIWAN) Co., Ltd.	1995/07/19	10th floor, 53 Ming Chuan W. Road, Taipei	382,737	Manufacturing, distribution, lease and sale of VCD products
CHC International Investment Corporation	1995/08/10	15th, Fl., No.53, Ming Chuan W. Road., Taipei, Taiwan, R.O.C.	2,615,953	General investment business
EV POWER CORPORATION	1996/02/01	15th, Fl., No.53, Ming Chuan W. Road., Taipei, Taiwan, R.O.C.	21,000	Passenger car rental industry
Asia 1 Entertainment Co., Ltd.	1997/11/29	17/F, 53 Ming Chuan W. Road, Taipei	126,810	Rental and sale of DVD products
CMC ENTERTAINMENT HOLDING CORPORATION	1997/12/17	15th, Fl., No.53, Ming Chuan W. Road., Taipei, Taiwan, R.O.C.	664,000	Film production and distribution industry
CMC MOVIE CORPORATION	1998/05/07	15th, Fl., No.53, Ming Chuan W. Road., Taipei, Taiwan, R.O.C.	350,000	Film distribution industry
TAIWANET.COM CORPORATION	1999/05/17	15th, Fl., No.53, Ming Chuan W. Road., Taipei, Taiwan, R.O.C.	3,000	Provision of electronic information
TAIWAN.COM CORPORATION	1999/05/18	16/F, 53 Ming Chuan W. Road, Taipei	1,000	Internet service
Transtouch Technology Inc.	2000/11/27	1-6/F, No. 50, Huayasan 3rd Road, Qiushan District, Taoyuan City	291,859	Production and sales of touch panels
SUN WELL SOLAR CORPORATION	2007/07/25	16/F, 53 Ming Chuan W. Road, Taipei	1,568,400	Production and sales of thin film solar cells
SUN Q CORPORATION LIMITED	2007/10/18	16/F, 53 Ming Chuan W. Road, Taipei	1,100,590	Production and sales of silicon solar cells
CMC ENTERTAINMENT HUB CORPORATION	2015/03/06	15th, Fl., No.53, Ming Chuan W. Road., Taipei, Taiwan, R.O.C.	133,000	Amusement Park business
COM IN DIM Co. Ltd.	2016/11/01	17/F, 53 Ming Chuan W. Road, Taipei	26,800	Catering industry
JinZhiZui Co. Ltd.	2018/11/27	15th, Fl., No.53, Ming Chuan W. Road., Taipei, Taiwan, R.O.C.	1,000	Catering industry
Verbatim Australia Pty. Ltd	1980/08/01	Victoria, Australia	2,168	Trade in storage media and electronic products
Verbatim (Hong Kong) Limited	1980/7/31	Hong Kong	128,135	Trade in storage media and electronic products
Deltamac (Hong Kong) Co. Ltd. (Note)	1991/03/28	Hong Kong	127,080	Sale of VCD products
Company Name	Establishment date	Address	Paid-in Capital	Major Lines of Business or Products
Hotan Corp.	1996/01/03	California, USA	370,280	Trade in optical discs and electronic products

EMC Investment Holding Ltd.	1997/01/29	Cayman Islands	1,754	General investment business
Super Net Holding Ltd.	1999/06/04	British Virgin Islands	163,051	General investment business
F5 Holdings Ltd.	2000/12/11	Delaware, USA	680	General investment business
Media Factory LLC	2002/04/19	California, USA	1,225,305	General investment business
CIA Holding Corp.	2002/05/23	Cayman Islands	980,010	General investment business
Fortune (Jiangsu) Multimedia Co., Ltd.	2002/07/01	No. 15 Yongxing Road, Nantong City, Jiangsu Province	3,155,826	Production and marketing of optical discs
Fortune (Jiangsu) Electronic Materials Co., Ltd.	2002/10/22	No. 15 Yongxing Road, Nantong City, Jiangsu Province	71,772	Production and sales of plastic cases, boxes, baskets and similar products
Photopia Workshop Limited	2002/11/18	Hong Kong	-	Provide product design and promotion services
Verbatim GmbH	2004/11/24	Eschborn, Germany	854	Trade in storage media and electronic products
CMC Content Corp. (Note)	2005/02/08	Labuan FT, Malaysia	82,665	Film distribution
Nantong Zhongxing Multimedia Co., Ltd.	2005/07/06	No. 15 Yongxing Road, Nantong City, Jiangsu Province	77,141	Production and marketing of optical discs
Kinease Investment Ltd.	2005/08/12	British Virgin Islands	-	Development of real estate
Jet-Thai Hi-Tech Co. Ltd.	2005/09/26	Srimaphaphat, Prachinburi province, Thailand	4,501,838	Production and marketing of optical discs
Verbatim Americas LLC	2007/08/01	North Carolina, USA	1,811,895	Trade in storage media and electronic products
ClickPlay (Hong Kong) Limited (Note)	2012/10/10	Hong Kong	59,018	Sale of VCD products
Verbatim Japan Ltd.	2019/07/22	Tokyo, Japan	15,134	Trade in storage media and electronic products

(Note): Going into liquidation procedure

(III) Shareholders presumed to have control and subordinate relationship with the same information: Not Applicable

(IV) Industries covered by the overall business operation of the enterprise:

The manufacture and sales of the computer storage media, manufacturing and sales of electronic products, film/video production and distribution, disc rental business, commercial product trading business, general investment business, vehicle rental business, performing arts related business activities and film agency distribution business, electronic information supply service, food and beverage business, etc.

(V) Information of Directors, Supervisors and General Managers of related enterprises

Unit: Share

Company Name	Position	Name or Representative	Number of shares/capital contribution	Percentage of ownership/capital contribution
DELTAMAC (TAIWAN) Co., Ltd.	Chairman	CHC International Investment Corporation	7,126,792	18.62%
	Director	Representative: Wu, Chao- Hung		
	Director	Representative: Lin, Kun-Ming		
	Independent Director	Nippon corporation TSUTAYA	12,783,427	33.40%
		Representative: Ogino Katsuyuki, Hashimoto Ryunosuke	0	0.00%
		Huang, Jen-Yung; Lee, Mei-Lin; Wu, Cheng-Hsiu		
CHC International Investment Corporation	Chairman	CMC Magnetics Corporation	261,595,273	100.00%
		Representative: Cheng, Tsung-An		
EV POWER CORPORATION	Chairman	CHC International Investment Corporation	2,100,000	100.00%
		Representative: Huang, Ming-Yu		
Asia 1 Entertainment Co., Ltd.	Chairman	CMC Magnetics Corporation	11,868,528	93.59%
	Supervisor	Representative: Wu, Chao- Hung		
		Huang, Ming-Yu	0	0.00%
CMC ENTERTAINMENT HOLDING CORPORATION	Chairman	CMC Magnetics Corporation	66,400,000	100.00%
		Representative: Wu, Chao- Hung		
CMC MOVIE CORPORATION	Chairman	CMC Magnetics Corporation	35,000,000	100.00%
		Representative: Chiu, Hui-Li		
TAIWANET.COM CORPORATION	Chairman	CHC International Investment Corporation	300,000	100.00%
		Representative: Tseng, Yi-Wen		
TAIWAN.COM CORPORATION (Note)	Director	CHC International Investment Corporation	NT\$1,000,000	100.00%
		Representative: Cheng, Tsung-An		
Transtouch Technology Inc.	Chairman	CMC Magnetics Corporation	15,365,223	52.47%
	Director	Representative: Wong, Ming-Sen		
		Representative: Yang, Ya-Hsiu; Tsai, Fu-Yuan		
		Wangke International Co. Ltd	266,044	0.91%
	Director	Representative: Chen, Mao-Sheng		
	Director	Yang, Ming-Xian	0	0.00%
	Director	Yeh, Fang-Yu	9,667	0.03%
	Independent Director	Huang, Jen-Yung	0	0.00%
	Director	Wu, Cheng-Hsiu	0	0.00%
	Independent Director	Shiau, Fung-Shyung	0	0.00%
	Independent Director		0	0.00%
SUN WELL SOLAR CORPORATION	Chairman	CMC Magnetics Corporation	154,991,112	98.82%
		Representative: Wong, Ming-Sen		
	Director	Representative: Liu, Huang-Sheng; Lin, Ching-Woei		
	Supervisor	Huang, Ming-Yu	1,600	0.00%
SUN Q CORPORATION LIMITED	Chairman	CMC Magnetics Corporation	64,052,000	58.20%
	Supervisor	Representative: Yang, Ming-Xian		
		Huang, Ming-Yu	0	0.00%

Company Name	Position	Name or Representative	Number of shares/capital contribution	Percentage of ownership/capital contribution
CMC ENTERTAINMENT HUB CORPORATION	Chairman	CMC Magnetism Corporation Representative: Wu, Chao- Hung	13,300,000	100.00%
COM IN DIM Co. Ltd.	Chairman	CMC ENTERTAINMENT HUB CORPORATION Representative: Chang, Min-Yu	2,680,000	100.00%
JinZhiZui Co. Ltd.	Chairman Supervisor	CMC ENTERTAINMENT HUB CORPORATION Representative: Wu, Chao- Hung Representative: Huang, Ming-Yu	100,000	100.00%
Verbatim Australia Pty. Ltd	Director Director	EMC Investment Holding Ltd. Representative: Paul Johnson Representative: Chen, Chun-Wei, Huang, Ming-Yu	100,000	100.00%
Verbatim (Hong Kong) Limited (Note)	Director Director	EMC Investment Holding Ltd. Representative: Paul Johnson Representative: Yang, Pi-Yin, Huang, Ming-Yu	HKD34,955,000	100.00%
Hotan Corp.	Director	F5 Holdings Ltd. Representative: Tom Hsieh	12,990,000	100.00%
EMC Investment Holding Ltd.	Director Director	CMC Magnetism Corporation Representative: Wong, Ming-Sen, Yang, Li-Jung Representative: Yang, Ya-Hsiu	61,527	100.00%
Super Net Holding Ltd.	Director	CIA Holding Corporation Representative: Wong, Ming-Sen	5,720,085	100.00%
F5 Holdings Ltd.	Director Director	EMC Investment Holding Ltd. Representative: Wong, Ming-Sen, Yang, Ya-Hsiu Representative: Yang, Li-Jung	23,864	100.00%
Media Factory LLC (Note)	Manager Manager	EMC Investment Holding Ltd Representative: Wong, Ming-Sen, Yang, Li-Jung Representative: Yang, Ya-Hsiu	USD42,985,600	100.00%
CIA Holding Corp.	Director	CMC Magnetism Corporation Representative: Wong, Ming-Sen	29,688,245	86.35%
Fortune (Jiangsu) Multimedia Co., Ltd. (Note)	Chairman Director Director Supervisor Director Supervisor Director Supervisor	Media Factory LLC Representative: Chang, Chia-Chieh Representative: Wong, Ming-Sen, Yang, Ya-Hsiu Representative: Chou, Wei-Li; Huang, Ying-Yen Representative: Chen, Ming-Chung Fortune (Jiangsu) Electronic Materials Co., Ltd. Representative: Wu, Chao- Hung Representative: Chen, Ming-Chung Jiangsu Nantone EDZ Representative: Gu, Hua Representative: Shih, Hsueh-Mei	USD80,640,000 USD6,272,000 USD2,688,000	90.00% 7.00% 3.00%
Fortune (Jiangsu) Electronic Materials Co., Ltd. (Note)	Chairman Director	EMC Investment Holding Ltd. Representative: Wu, Chao- Hung Representative: Chang, Chia-Chieh; Tien, Min-Hsiung	USD2,000,000	100.00%

Company Name	Position	Name or Representative	Number of shares/capital contribution	Percentage of ownership/capital contribution
Verbatim GmbH (Note)	Director Director Director Director	EMC Investment Holding Ltd. Representative: HClive Alberts Representative: Hussin Diraki Representative: Michel Blonk Representative: Chen, Chun-Wei, Huang, Ming-Yu	EUR25,565	100.00%
Nantong Zhongxing Multimedia Co., Ltd. (Note)	Chairman	Jiangsu Nantone EDZ Head Office Representative: Yao, Kuo-Cheng	USD1,122,000	51.00%
	Director Director	Head Office Representative: Su, Mei-Yun; Chi, Chung-Hua Media Factory LLC Representative: Pan, Wei-Wen; Huang, Ying-Yen	USD1,078,000	49.00%
Kinease Investment Ltd.	Director	CIA Holding Corporation Representative: Wong, Ming-Sen	2	100.00%
Jet-Thai Hi-Tech Co., Ltd.	Director	EMC Investment Holding Ltd. Representative: Li, Hai-Lu	49,200,415	100.00%
Verbatim Americas LLC (Note)	Director Director	F5 Holdings Ltd. Representative: Takuya Fujiwara Representative: Chen, Chun-Wei, Huang, Ming-Yu	USD63,564,127	100.00%
Verbatim Japan Ltd.	Chairman	EMC Investment Holding Ltd. Representative: Hideharu Takeshima	5,900	100.00%

Note: The Company is a limited Company.

II. Overview of operations of company's affiliates

(I) Financial Status and Operation Results of the Related Enterprises

Unit: NT\$1,000

(Except for earnings per share that is calculated in NTD)

Company Name	Capital	Total Assets	Total Liabilities	Net Worth	Sales Revenue	Net operating income	Profit or Loss (after Tax)	Basic Earnings (Loss) Per Share
DELTAMAC (TAIWAN) Co., Ltd.	382,737	467,210	80,765	386,445	245,057	(6,170)	2,428	0.06
CHC International Investment Corporation	2,615,953	4,034,184	314,939	3,719,245	0	(17,668)	(59,216)	(0.23)
EV POWER CORPORATION	21,000	3,499	0	3,499	0	0	0	0.00
Asia 1 Entertainment Co., Ltd.	126,810	13,823	279,837	(266,014)	17,293	(6,103)	(10,763)	(0.85)
CMC ENTERTAINMENT HOLDING CORPORATION	664,000	58,097	7,343	50,754	14,356	8,194	7,932	0.12
CMC MOVIE CORPORATION	350,000	181,307	9,376	171,931	17,850	1,597	(7,371)	(0.21)
TAIWANET.COM CORPORATION	3,000	3,502	357	3,145	3,926	(83)	101	0.34
TAIWAN.COM CORPORATION	1,000	526	70,007	(69,481)	0	0	0	(Note)
Transtouch Technology Inc.	291,859	633,523	181,361	452,162	326,657	(47,861)	(32,645)	(1.12)
SUN WELL SOLAR CORPORATION	1,568,400	387,922	1,267,338	(879,416)	1,816	(59,923)	(74,565)	(0.48)
SUN Q CORPORATION LIMITED	1,100,590	19,106	57,440	(38,334)	0	(283)	(1,806)	(0.02)
CMC ENTERTAINMENT HUB CORPORATION	133,000	144,920	47,898	97,022	33,808	(33,974)	(35,595)	(2.46)
COM IN DIM Co. Ltd.	26,800	15,835	4,554	11,281	33,979	(10,055)	(10,029)	(3.74)
JinZhiZui Co. Ltd.	1,000	4,240	2,599	1,641	15,327	(628)	(627)	(6.27)
Verbatim Australia Pty. Ltd	2,165	455,516	80,709	374,807	381,608	25,410	43,456	434.56
Verbatim (Hong Kong) Limited	126,708	273,545	143,178	130,367	522,369	(2,354)	(3,386)	(Note)
Hotan Corp.	365,019	121,290	11,411	109,879	70,114	(26,395)	(45,360)	(3.49)
EMC Investment Holding Ltd.	1,729	4,303,850	1,034,390	3,269,460	0	(12,517)	484,396	7,872.90
Supernet Holding Ltd.	160,734	392,770	93	392,677	0	(98)	(8,420)	(1.47)
F5 Holdings Ltd.	671	1,483,594	0	1,483,594	0	(2,023)	(9,800)	(410.66)

(Note) It is not applicable to limited company.

Unit: NT\$1,000

(Except for earnings per share that is calculated in NTD)

Company Name	Capital	Total Assets	Total Liabilities	Net Worth	Sales Revenue	Net operating income	Profit or Loss (after Tax)	Basic Earnings (Loss) Per Share
Media Factory LLC	1,207,895	360,576	0	360,576	0	(17)	(69,213)	(Note)
CIA Holding Corp.	966,086	539,518	0	539,518	0	(221)	(10,277)	(Note)
Fortune (Jiangsu) Multimedia Co., Ltd.	3,147,819	835,133	455,322	379,811	459,962	(101,674)	(76,883)	(Note)
Fortune (Jiangsu) Electronic Materials Co., Ltd.	71,590	123,208	4,185	119,023	41,931	(2,762)	(7,680)	(Note)
Verbatim GmbH	884	1,512,891	690,511	822,380	2,413,564	115,691	67,992	(Note)
Nantong Zhongxing Multimedia Co., Ltd.	76,945	16,112	0	16,112	0	(44)	(4)	(Note)
Kinease Investment Ltd.	0	86,809	8,292	78,517	0	(3,021)	(3,491)	(1,745,500.00)
Jet-Thai Hi-Tech Co. Ltd.	4,645,502	561,535	1,827	559,708	157	(9,456)	213,604	(Note)
Verbatim Americas LLC	1,786,152	1,730,467	365,783	1,364,684	2,030,623	34,547	37,499	(Note)
Verbatim Japan Ltd.	16,083	686,445	657,094	29,351	1,406,655	26,730	13,903	2,356.44

(Note) It is not applicable to limited company.

(II) Consolidated financial statements of the related enterprises: with the latest consolidated financial statements of parent-subsidiary company audited and certified by accountant.

III. Holding or Disposal of Shares in the Company by Its Subsidiaries during the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Publication of the Annual Report

There are no new securities for private placement for the year 2020 and up to the date of publication of the annual report.

IV. Holding or disposal of shares in the Company by its subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

None.

V. Other Mandatory Supplementary Notes

None.

VI. Matters That Have Significant Impact on Shareholders' Equity or Securities Prices as Set Forth in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act in the Most Recent Year and up to the Date of Publication of the Annual Report

None.

CMC Magnetics Corporation



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