CMC Magnetics Corporation

Parent Company Only Financial Statements and Independent Auditors' Report

For the Years Ended December 31, 2021 and 2020

(Stock Code: 2323)

Company address: 15F, No. 53, Minquan West Road, Zhongshan District, Taipei City

Tel.:(02)2598-9890

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

CMC Magnetics Corporation

Individual Financial Statements and Independent Auditors' Report for the Years Ended December 31, 2021 and 2020

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Independent Auditors' Report

(2022) Order Cai-Shen-Pao No. 21004534

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, 2021 and 2020 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, 2021 and 2020 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 Generally Accepted Auditing Standards (GAAS) in ROC. 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, 2021 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, 2021 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, 2021 and 2020 was NT$2,338,817 thousand and NT$2,020,878 thousand, respectively, accounting for 10.49% and 8.62% of total assets, respectively. For the year ended December 31, 2021 and 2020, the comprehensive income recognized for the aforementioned companies was NT$(293,711) thousand and NT$64,122 thousand, respectively, accounting for 768.19% and (143.97%) 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. 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 Company'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 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 conclusion is based on the audit evidence acquired as of the date of the audit 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, 2021. 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

Lin, Chun-yao

CPA

Chang, Shu-chiung

Former Securities Supervisory Commission, Ministry of Finance,

Approval No.: (85) Tai-Cai-Zheng-(VI) No. 68702

Former Financial Supervisory Commission, Executive Yuan,

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

March 14, 2022

CMC Magnetics Corporation
Parent Company Only Balance Sheet
For the Years Ended December 31, 2021 and 2020

Unit: NT$ thousands

	Assets	Notes	December 31, 2021 Amount	%	December 31, 2020 Amount	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 1,087,921	5	$ 759,771	3
1110	Financial assets at fair value through profit or loss - current	6(2)	3,956,560	18	3,303,756	14
1136	Financial assets at amortized cost - current	8	2,400	-	2,400	-
1150	Notes receivable, net	6(4)	2,049	-	242	-
1170	Accounts receivable, net	6(4)(5)	461,171	2	392,301	2
1180	Accounts receivable - related parties, net	7	704,314	3	763,224	3
1200	Other receivables	6(5)	133,400	1	166,492	1
1210	Other receivables from related parties	7	6,318	-	1,416,015	6
130X	Inventories	6(6)	1,162,903	5	1,140,733	5
1479	Other current assets - others		39,502	-	47,117	-
11XX	**Total current assets**		7,556,538	34	7,992,051	34
	Non-current assets					
1510	Financial assets at fair value through profit or loss - non-current	6(2) and 8	1,778,245	8	1,304,456	6
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	59,826	-	47,441	-
1550	Investments accounted for using the equity method	6(7), 7, and 8	7,786,128	35	8,345,991	36
1600	Property, plant and equipment	6(8)(11), 7, and 8	3,784,790	17	4,235,057	18
1755	Right-of-use assets	6(9)	3,240	-	11,841	-
1760	Investment properties, net	6(10) and 8	638,949	3	759,485	3
1780	Intangible assets		66,593	-	93,161	-
1840	Deferred income tax assets	6(27)	179,553	1	217,821	1
1900	Other non-current assets	6(13) and 7	432,211	2	432,449	2
15XX	**Total non-current assets**		14,729,535	66	15,447,702	66
1XXX	**Total assets**		$ 22,286,073	100	$ 23,439,753	100

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CMC Magnetics Corporation
Parent Company Only Balance Sheet
For the Years Ended December 31, 2021 and 2020

Unit: NT$ thousands

	Liabilities and equity	Notes	December 31, 2021 Amount	%	December 31, 2020 Amount	%
	Current liabilities					
2100	Short-term borrowings	6(13)	$ 336,958	2	$ 110,341	1
2110	Short-term notes payable	6(14)	50,000	-	-	-
2130	Contract liabilities – current	6(21)	136,295	1	53,173	-
2150	Notes payable		69,079	1	86,349	-
2170	Accounts payables		469,869	2	342,211	2
2180	Accounts payables - related parties	7	3,158	-	7,365	-
2200	Other payables		288,512	1	415,098	2
2220	Other receivables - related parties	7	37,655	-	25,591	-
2280	Lease liabilities - current		3,278	-	9,957	-
2320	Long-term liabilities due within one year or one operating cycle	6(15) and 8	725,000	3	541,000	2
2399	Other current liabilities - others		2,250	-	15,027	-
21XX	**Total current liabilities**		2,122,054	10	1,606,112	7
	Non-current liabilities					
2540	Long-term borrowings	6(15) and 8	1,925,000	9	1,589,000	7
2570	Deferred income tax liabilities	6(27)	21,397	-	21,397	-
2580	Lease liabilities - non-current		-	-	1,977	-
2600	Other non-current liabilities	6(7)(16)	108,434	-	1,244,692	5
25XX	**Total non-current liabilities**		2,054,831	9	2,857,066	12
2XXX	**Total liabilities**		4,176,885	19	4,463,178	19
	Equity					
	Share capital	6(17)				
3110	Common stock		11,588,812	52	11,588,812	50
	Capital surplus	6(18)				
3200	Capital surplus		6,830,667	30	7,642,963	32
	Retained earnings	6(19)				
3310	Legal reserve		32,476	-	21,379	-
3320	Special reserve		118,457	1	-	-
3350	Retained earnings		152,592	1	129,554	1
	Other equity					
3400	Other equity	6(20)	(613,816)	(3)	(406,133)	(2)
3XXX	**Total equity**		18,109,188	81	18,976,575	81
	Significant Contingent Liabilities and Unrecognized Contractual Commitments	6(25), 7, and 9				
	Material Events After the Balance Sheet Date	11				
3X2X	**Total liabilities and equity**		$ 22,286,073	100	$ 23,439,753	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 Magnetics Corporation
Parent Company Only Statements of Comprehensive Income
For the Years Ended December 31, 2021 and 2020

Unit: NT$ thousands, except for earnings per share

Code	Items	Notes	2021 Amount	2021 %	2020 Amount	2020 %
4000	Operating revenue	6(21) and 7	$ 3,818,015	100	$ 3,935,194	100
5000	Operating costs	6(6)(16)(26) and 7	(3,291,574)	(86)	(3,286,936)	(83)
5900	Gross operating profit		526,441	14	648,258	17
5910	Unrealized sales gains		(104,992)	(3)	(108,828)	(3)
5920	Realized gains (losses) on sales		108,828	3	(2,780)	-
5950	Gross operating profit, net		530,277	14	536,650	14
	Operating expenses	6(16)(26)				
6100	Selling and marketing expenses		(182,905)	(5)	(234,321)	(6)
6200	Administrative expenses		(138,649)	(3)	(130,572)	(3)
6300	Research and development expenses		(256,356)	(7)	(219,738)	(6)
6450	Expected credit loss	12(2)	(24,416)	(1)	(72,988)	(2)
6000	Total operating expenses		(602,326)	(16)	(657,619)	(17)
6900	Operating losses		(72,049)	(2)	(120,969)	(3)
	Non-operating income and expenses					
7100	Interest revenue	6(22) and 7	21,431	1	27,937	1
7010	Other income	6(23) and 7	237,730	6	212,007	6
7020	Other gains and losses	6(2)(24)	457,356	12	(183,729)	(5)
7050	Finance costs	6(25)	(45,939)	(1)	(41,583)	(1)
7070	Share of profit (loss) on subsidiaries, associates, and joint ventures accounted for using equity method		(324,858)	(9)	247,919	6
7000	Total non-operating income and expenses		345,720	9	262,551	7
7900	**Net income before tax**		273,671	7	141,582	4
7950	Income tax expense	6(27)	(112,485)	(3)	(30,509)	(1)
8200	**Net profit**		$ 161,186	4	$ 111,073	3
	Other comprehensive income, net					
	Items that will not be reclassified to profit or loss					
8311	Remeasurement of defined benefit plans	6(16)	$ 11,035	-	($ 1,843)	-
8316	Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	6(3)(20)	12,385	1	17,215	-
8330	Share of other comprehensive income on subsidiaries, associates, and joint ventures accounted for using the equity method – not reclassified to profit or loss		(33,355)	(1)	(45,997)	(1)
8349	Income tax related to items that will not be reclassified	6(27)	(2,476)	-	241	-
8310	Sum of items that will not be reclassified to profit or loss		(12,411)	-	(30,384)	(1)
	Items that may be reclassified subsequently to profit or loss					
8361	Exchange differences on translating the financial statements of foreign operations	6(20)	(186,698)	(5)	(124,129)	(3)
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(20)	(311)	-	(1,097)	-
8360	Sum of items that may be reclassified subsequently to profit or loss		(187,009)	(5)	(125,226)	(3)
8500	**Total comprehensive income for current period**		($ 38,234)	(1)	($ 44,537)	(1)
	Earnings per share	6(28)				
9750	Basic earnings per share		$ 0.14		$ 0.10	
9850	Diluted earnings per share		$ 0.14		$ 0.10	

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, 2021 and 2020

Unit: NT$ thousands

				Retained earnings			Other equity			
	Notes	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translating the financial statements of foreign operations	Unrealized gains or losses on financial assets at fair value through other comprehensive income	Equity directly associated with non-current assets held for sale	Total
2020										
Balance as of January 1, 2020		$ 11,588,812	$ 7,700,295	$ -	$ -	$ 213,793	($ 121,927)	($ 130,722)	($ 23,709)	$ 19,226,542
Net profit		-	-	-	-	111,073	-	-	-	111,073
Other comprehensive income for current period	6(20)	-	-	-	-	(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:	6(19)									
Legal reserve		-	-	21,379	-	(21,379)	-	-	-	-
Cash dividends		-	-	-	-	(173,832)	-	-	-	(173,832)
Cash dividends appropriated from capital surplus	6(18)(19)	-	(57,944)	-	-	-	-	-	-	(57,944)
Changes in ownership interests in subsidiaries	6(18)	-	612	-	-	-	-	-	-	612
Disposal of equity instruments measured at fair value through other comprehensive income	6(3)(20)	-	-	-	-	861	-	(861)	-	-
Disposal of subsidiaries		-	-	-	-	-	2,025	-	23,709	25,734
Balance as of December 31, 2020		$ 11,588,812	$ 7,642,963	$ 21,379	$ -	$ 129,554	($ 245,128)	($ 161,005)	$ -	$ 18,976,575
2021										
Balance as of January 1, 2021		$ 11,588,812	$ 7,642,963	$ 21,379	$ -	$ 129,554	($ 245,128)	($ 161,005)	$ -	$ 18,976,575
Net profit		-	-	-	-	161,186	-	-	-	161,186
Other comprehensive income for current period	6(20)	-	-	-	-	9,905	(187,009)	(22,316)	-	(199,420)
Total comprehensive income for current period		-	-	-	-	171,091	(187,009)	(22,316)	-	(38,234)
Appropriation of earnings for 2020:	6(19)									
Legal reserve		-	-	11,097	-	(11,097)	-	-	-	-
Special reserve		-	-	-	118,457	(118,457)	-	-	-	-
Cash dividends appropriated from capital surplus	6(18)(19)	-	(811,217)	-	-	-	-	-	-	(811,217)
Changes in ownership interests in subsidiaries	6(18)	-	(1,070)	-	-	(16,857)	-	-	-	(17,927)
Difference between the equity price of subsidiary actually acquired or disposed of and the book value	6(18)	-	(9)	-	-	-	-	-	-	(9)
Disposal of equity instruments measured at fair value through other comprehensive income	6(3)(20)	-	-	-	-	(1,642)	-	1,642	-	-
Balance as of December 31, 2021		$ 11,588,812	$ 6,830,667	$ 32,476	$ 118,457	$ 152,592	($ 432,137)	($ 181,679)	$ -	$ 18,109,188

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, 2021 and 2020

Unit: NT$ thousands

	Notes	For the Year Ended December 31, 2021	For the Year Ended December 31, 2020
Cash flows from operating activities			
Net income before tax for the period		$ 273,671	$ 141,582
Adjustments			
Adjustments for			
Depreciation expenses	6(8)(9)(26)	420,365	506,824
Amortization expenses	6(26)	50,251	53,155
Depreciation expenses not for self-use (listed in other gains and losses)	6(8)(9)(10)(24)	33,934	33,835
Expected credit loss	12(2)	24,416	72,988
Net losses on financial assets and liabilities at fair value through profit and loss	6(2)(24)	24,837	47,879
Interest expenses	6(25)	44,742	40,318
Interest revenue	6(22)	(21,431)	(27,937)
Dividend income	6(23)	(156,603)	(110,445)
Share of profit (loss) on subsidiaries, associates, and joint ventures accounted for using equity method		324,858	(247,919)
Gains on disposal of property, plant and equipment and other non-current assets	6(24)	(4,132)	(1,095)
Gains on disposal of non-current assets held for sale	6(8)(24)	(523,948)	-
Realized (gains) losses between associates		(108,828)	2,780
Unrealized gains between associates		104,992	108,828
Gains on disposal of investments	6(24)	-	(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		(1,133,981)	(1,007,708)
Notes receivable (including related and non-related parties)		(1,826)	5,192
Accounts receivable (including related and non-related parties)		(104,017)	29,925
Other receivables (including related and non-related parties)		89,501	(73,181)
Inventories		(22,170)	6,929
Other current assets		7,617	46,114
Net changes in operating liabilities			
Financial liabilities at fair value through profit or loss		(17,449)	(9,259)
Contract liabilities		83,122	(24,258)
Notes and accounts payable (including related and non-related parties)		112,863	(75,178)
Other payables (including related and non-related parties)		(123,334)	103,708
Other current liabilities		(12,777)	(20,342)
Net defined benefit liabilities		(29,189)	(88,440)
Cash outflow from operating activities		(664,516)	(498,237)
Interest received		21,431	27,953
Dividends received		156,541	110,397
Interest paid		(44,517)	(40,635)
Income tax paid		-	(57)
Net cash outflow from operating activities		(531,061)	(400,579)

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CMC Magnetics Corporation
Parent Company Only Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

Unit: NT$ thousands

	Notes	For the Year Ended December 31, 2021	For the Year Ended December 31, 2020
Cash flows from investing activities			
Decrease in receivables for financing provided by related parties		$ 213,560	$ 476,210
Refund from capital reduction related to financial assets at fair value through other comprehensive income		-	1,934
Increase in financial assets at amortized cost		-	6,000
Acquisition of investments accounted for using the equity method	7	(257)	(40,000)
Proceeds from disposal of investments accounted for using the equity method		248	46,697
Price of acquisition of property, plant and equipment	6(29)	(1,300)	(898)
Proceeds from disposal of property, plant and equipment and other non-current assets		16,311	1,236
Acquisition of intangible assets	6(29)	(7,073)	(104,482)
Decrease in refundable deposits		82	479
Increase in other non-current assets		(6,078)	(17,486)
Increase in prepayments for equipment (listed in other non-current assets)	6(29)	(100,441)	(102,057)
Proceeds from disposal of non-current assets held for sale	6(8)	818,849	-
Dividends received		-	305,289
Land value increment tax paid	6(27)	(76,854)	-
Net cash inflow from investing activities		857,047	572,922
Cash flows from financing activities			
Increase (decrease) in short-term borrowings	6(30)	226,617	(39,659)
Increase in short-term notes payable	6(30)	50,000	-
Increase in payable from financing provided by related parties	7	27,655	-
Increase in long-term notes payable	6(30)	100,000	200,000
Long-term borrowings taking place for current period	6(30)	3,350,000	621,000
Repayment of long-term borrowings for current period	6(30)	(2,930,000)	(1,051,460)
Repayment of principal of lease liabilities	6(9)(30)	(11,249)	(12,896)
Increase in guarantee deposits received		358	825
Cash dividends distributed	6(19)	(811,217)	(231,776)
Net cash inflow (outflow) from financing activities		2,164	(513,966)
Increase (decrease) in cash and cash equivalents for current period		328,150	(341,623)
Cash and cash equivalents, beginning of period		759,771	1,101,394
Cash and cash equivalents, end of period		$ 1,087,921	$ 759,771

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

Notes to Parent Company Only Financial Statements

For the Years Ended December 31, 2021 and 2020

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 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 14, 2022.

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

New, Revised, and Amended Standards and Interpretations	Effective Date Announced by IASB
Amendments to IFRS 4 "Temporary Exemption from Applying IFRS 9"	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 - “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendments to IFRS 16 "Covid-19-Related Rent Concessions Beyond June 30, 2021"	April 1, 2021(Note)

Note: The FSC allows early application on 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 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 2022:

New, Revised, and Amended Standards and Interpretations	Effective Date Announced by IASB
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022
Amendments to 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 standards and interpretations above have no significant impact on the Company's financial position and financial performance based on the Company's reasonable assessment.

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

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

New, Revised, and Amended Standards and Interpretations	Effective Date Announced by IASB
Amendments to IFRS 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 IFRS 17 “Initial application of IFRS 17 and IFRS 9 - Comparative Information"	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 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023

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.

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. <u>Classification of Current and Non-current Assets and Liabilities</u>

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 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 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. 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.

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 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 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. Accounts receivable and notes receivable

1) Accounts 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 accounts 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 accounts receivable that are expected to be factored is for the purpose of selling, and the accounts 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 accounts 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 accounts 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) 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.

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	2–5 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 in adopted, depreciation expenses are recognized at the earlier of the expiration date of the useful life of the right-of-use asset or the lease term. When the lease liability is reassessed, the remeasurement of the lease liability will be adjusted for the right-of-use asset.

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 5 to 7 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 1-2 years.

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. Accounts and notes payables

1) Accounts 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 accounts and notes 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 plan

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 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.

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. If the estimated amounts are different from the actual distributed amounts resolved subsequently, the differences shall be accounted for as changes 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. <u>Income tax</u>

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 asset 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. <u>Share capital</u>

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.

bb. <u>Dividend allocation</u>

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

cc. <u>Revenue recognition</u>

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) Accounts 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.

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

None.

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

	December 31, 2021	December 31, 2020
Cash on hand and petty cash	$ 342	$ 338
Checks and demand deposits	1,057,579	729,433
Time deposit	30,000	30,000
	$ 1,087,921	$ 759,771

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)

Items	December 31, 2021	December 31, 2020
Current items:		
Financial assets mandatorily at fair value through profit or loss		
Listed stocks	$ 4,036,148	$ 3,443,530
Derivative instruments	1,511	301
	4,037,659	3,443,831
Adjustment to valuation	(81,099)	(140,075)
	$ 3,956,560	$ 3,303,756
Non-current items:		
Financial assets mandatorily at fair value through profit or loss		
Listed stocks	$ 1,770,819	$ 1,217,912
Adjustment to valuation	7,426	86,544
	$ 1,778,245	$ 1,304,456

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

	2021	2020
Financial assets mandatorily at fair value through profit or loss		
Equity instruments	($ 16,620)	($ 54,501)
Derivative instruments	9,232	15,881
	($ 7,388)	($ 38,620)

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

	December 31, 2021	
Derivative financial assets	Contract amount (notional principal)	Contract period
Current items:		
Forward exchange agreements	US$1,000 thousand	2021.11.12~2022.01.18
Forward exchange agreements	US$1,100 thousand	2021.11.17~2022.01.18
Forward exchange agreements	US$1,300 thousand	2021.12.07~2022.01.18
Forward exchange agreements	US$1,000 thousand	2021.10.21~2022.01.24
Forward exchange agreements	US$1,000 thousand	2021.11.26~2022.01.24
Forward exchange agreements	US$2,000 thousand	2021.12.14~2022.02.18
Forward exchange agreements	US$1,600 thousand	2021.12.22~2022.03.24
Forward exchange agreements	US$1,600 thousand	2021.11.17~2022.05.19

	December 31, 2020	
Derivative financial assets	Contract amount (notional principal)	Contract period
Current items:		
Forward exchange agreements	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 fair value through other comprehensive income (FVTOCI)

Items	December 31, 2021	December 31, 2020
Non-current items:		
Equity instruments		
Unlisted stocks	$ 5,920	$ 5,920
Adjustment to valuation	53,906	41,521
	$ 59,826	$ 47,441

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, 2021 and 2020 were NT$59,826 and NT$47,441, respectively.

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

	2021	2020
Equity instruments at FVTOCI		
Changes in fair value recognized in other comprehensive income	$ 12,385	$ 17,215
Accumulated losses (gains) reclassified to retained earnings due to derecognition	$ 1,642	($ 861)

3) As of December 31, 2021 and 2020, regardless of the collateral held and other credit enhancements, the maximum amount of the exposure to the credit risk arising from the Company's financial assets at FVTOCI was NT$59,826 and NT$47,441, respectively.

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

d. Notes and accounts receivable

	December 31, 2021	December 31, 2020
Notes receivable	$ 2,070	$ 244
Less: Loss allowance	(21)	(2)
	$ 2,049	$ 242
Accounts receivable	$ 524,774	$ 490,838
Less: Loss allowance	(63,603)	(98,537)
	$ 461,171	$ 392,301

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

	December 31, 2021		December 31, 2020	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	$ 870,978	$ 2,070	$ 763,437	$ 244
Overdue for less than 30 days	170,098	-	95,909	-
Overdue for 31–60 days	92,244	-	70,520	-
Overdue for 61–90 days	7,124	-	129,506	-
Overdue for 91–180 days	13,818	-	23,928	-
Overdue for 181 or more	74,917	-	172,040	-
	$ 1,229,179	$ 2,070	$ 1,255,340	$ 244

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

2) The balances of notes and accounts receivable (including related parties) as of December 31, 2021 and 2020 were all generated from customer contracts, and the balance of the notes and accounts receivable from customer contracts (including related parties) and allowance for loss as of January 1, 2020 were NT$1,244,979 and NT$29,182, respectively.

3) As of December 31, 2021 and 2020, 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 accounts receivable (including related parties) was NT$1,167,534 and NT$1,155,767, respectively.

4) The Company did not pledge notes and accounts receivable as collateral.

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

e. Financial asset transfer

The Company signed a accounts 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 accounts receivable but only the loss from business disputes. As the Company did not have any continuous involvement in these transferred accounts receivable, the Company derecognized these transferred accounts receivable. Information on outstanding receivables is as follows:

Unit: NT$ thousands

December 31, 2021

Factor	Amount of accounts receivable in factoring	Amount derecognized	Amount of advance received	Amount of remaining advance available	Interest rate range of advance
Taipei Fubon Bank	USD 1,598	USD 1,598	USD -	USD 3,000	-

Unit: NT$ thousands

December 31, 2020

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

As of December 31, 2021 and 2020, the Company's retained amount in the accounts receivable transferred through factoring was NT$43,153 and NT$27,846, respectively, which have been reclassified to other receivables.

f. Inventories

	December 31, 2021	December 31, 2020
Raw materials	$ 408,010	$ 310,781
Work-in-progress	295	693
Finished goods	248,441	345,626
Merchandise inventory	456,654	450,076
Inventory in transit	49,503	33,557
	$ 1,162,903	$ 1,140,733

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

	2021	2020
Cost of inventories sold	$ 3,279,345	$ 3,226,119
Unamortized fixed production overheads	70,893	54,246
Gains on price recovery	(61,911)	(3,033)
Others	3,247	9,604
	$ 3,291,574	$ 3,286,936

The Company recognized gains on recovery for 2021 and 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

	December 31, 2021	December 31, 2020
CHC International Investment Corporation (CHC)	$ 3,010,544	$ 3,457,629
CMC Movie Corporation (CMC Movie)	121,891	173,381
CMC Entertainment Holding Corporation (CMC Entertainment)	61,566	50,754
Asia 1 Entertainment Co., Ltd. (Asia 1 Entertainment)	1,696	(246,401)
Sun Well Solar Corporation (Sun Well)	126,760	(848,093)
Sun Q Corporation Limited (Sun Q)	(20,412)	(22,310)
Transtouch Technology Inc. (Transtouch)	358,368	376,723
CMC Entertainment Hub Corporation (CMC Entertainment Hub)	74,856	97,022
EMC Investment Holding Ltd. (EMC H)	3,508,125	3,605,849
CIA Holding Corp.(CIA)	357,078	408,452
Deltamac (Taiwan) Co., Ltd. (Deltamac)	165,244	176,181
Add: Credit balance of long-term investment reclassified to other non-current liabilities	20,412	1,116,804
	$ 7,786,128	$ 8,345,991

1) Subsidiaries

a) For information about the Company's subsidiaries, please refer to Note 4(3) of the Company's consolidated financial statements for the 2021.

b) The Company sold the equity of its subsidiaries in 2020, please refer to Note 6(32) of the Company's consolidated financial statements for 2021 for details.

c) Please refer to Note 8 for details of the investment under the equity method pledged by Company for collateral.

2) Associate

The aggregate information on the book value and operating results of the associates that are not individually material of the Company is as follows: The book value of the associates that are not individually material of the Company is NT$169,218 and NT$293,060 as of December 31, 2021 and 2020, respectively.

	2021	2020
Net loss	($ 419,767)	($ 212,561)
Other comprehensive income (after tax)	(787)	(3,209)
Total comprehensive income for the period	($ 420,554)	($ 215,770)

h. Property, plant and equipment

	2021								
		Buildings and structures			Machinery and equipment				
	Land	For self-use	For leasing	Subtotal	For self-use	For leasing	Subtotal	Others	Total
January 1									
Cost	$ 2,118,488	$ 1,961,345	$ 24	$ 1,961,369	$12,513,007	$ 1,728	$12,514,735	$ 51,494	$16,646,086
Accumulated depreciation and impairment	-	(911,527)	(24)	(911,551)	(11,484,433)	(1,149)	(11,485,582)	(13,896)	(12,411,029)
	$ 2,118,488	$ 1,049,818	$ -	$ 1,049,818	$ 1,028,574	$ 579	$ 1,029,153	$ 37,598	$ 4,235,057
January 1	$ 2,118,488	$ 1,049,818	$ -	$ 1,049,818	$ 1,028,574	$ 579	$ 1,029,153	$ 37,598	$ 4,235,057
Disposal	-	-	-	-	(8,315)	-	(8,315)	(159)	(8,474)
Reclassification (Note 1)	-	3,027	-	3,027	187,482	-	187,482	(24,213)	166,296
Reclassified to non-current assets held for sale (Note 2)	(190,703)	-	-	-	-	-	-	-	(190,703)
Depreciation expenses	-	(50,061)	-	(50,061)	(358,917)	(441)	(359,358)	(7,967)	(417,386)
December 31	$ 1,927,785	$ 1,002,784	$ -	$ 1,002,784	$ 848,824	$ 138	$ 848,962	$ 5,259	$ 3,784,790
December 31									
Cost	$ 1,927,785	$ 1,948,872	$ -	$ 1,948,872	$11,208,218	$ 1,728	$11,209,946	$ 14,427	$15,101,030
Accumulated depreciation and impairment	-	(946,088)	-	(946,088)	(10,359,394)	(1,590)	(10,360,984)	(9,168)	(11,316,240)
	$ 1,927,785	$ 1,002,784	$ -	$ 1,002,784	$ 848,824	$ 138	$ 848,962	$ 5,259	$ 3,784,790

	2020								
		Buildings and structures			Machinery and equipment				
	Land	For self-use	For leasing	Subtotal	For self-use	For leasing	Subtotal	Others	Total
January 1									
Cost	$ 2,118,488	$ 2,493,486	$ 3,678	$ 2,497,164	$ 13,346,241	$ -	$ 13,346,241	$ 86,420	$ 18,048,313
Accumulated depreciation and impairment	-	(1,201,680)	(2,172)	(1,203,852)	(11,986,827)	-	(11,986,827)	(17,235)	(13,207,914)
	$ 2,118,488	$ 1,291,806	$ 1,506	$ 1,293,312	$ 1,359,414	$ -	$ 1,359,414	$ 69,185	$ 4,840,399
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 1)	-	(189,298)	(1,482)	(190,780)	107,771	1,728	109,499	(20,849)	(102,130)
Depreciation expenses	-	(52,690)	(24)	(52,714)	(438,386)	(1,149)	(439,535)	(10,738)	(502,987)
December 31	$ 2,118,488	$ 1,049,818	$ -	$ 1,049,818	$ 1,028,574	$ 579	$ 1,029,153	$ 37,598	$ 4,235,057
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	-	(911,527)	(24)	(911,551)	(11,484,433)	(1,149)	(11,485,582)	(13,896)	(12,411,029)
	$ 2,118,488	$ 1,049,818	$ -	$ 1,049,818	$ 1,028,574	$ 579	$ 1,029,153	$ 37,598	$ 4,235,057

Note 1. It is mainly for the reclassification from prepayments for equipment (listed in other non-current assets) and reclassification to investment property.

Note 2. On August 13, 2020, the Company's Board of Directors approved the sale of part of the land, buildings and structures held by the Company for NT$294,901 and the contract was signed on June 28, 2021 for a total contract price of NT$840,000. The related assets were transferred to disposal group for sale and the transaction was completed in September 2021 with an associated benefit of NT$523,948. The assets and liabilities of the disposal groups held for sale as of December 31, 2021 were $0.

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

	2021	2020
Capitalized amount	$ 201	$ 323
Range of capitalized interest rate	1.44%	1.58%

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:

	December 31, 2021	December 31, 2020
	Carrying amount	Carrying amount
Land	$ 1,297	$ 1,290
Property	1,943	10,551
	$ 3,240	$ 11,841

	2021			2020		
	Depreciation expenses			Depreciation expenses		
	For self-use	For leasing	Total	For self-use	For leasing	Total
Land	$ 2,587	$ -	$ 2,587	$ 2,509	$ -	$ 2,509
Property	833	7,774	8,607	2,501	7,921	10,422
	$ 3,420	$ 7,774	$ 11,194	$ 5,010	$ 7,921	$ 12,931

4) The additions of the Company’s right-of-use assets in 2021 and 2020 were NT$2,593 and NT$2,580, respectively.

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

	2021	2020
Items that affect profit or loss		
Interest expenses on lease liabilities	$ 129	$ 245
Short-term lease expenses	2,499	1,059
Revenue from sublease of right-of-use assets	8,353	5,834
Gains on lease modification	-	1

6) The Company's total cash outflows of leases in 2021 and 2020 were NT$13,877 and NT$14,200, respectively.

j. Investment property

	2021		
	Land	Buildings and structures	Total
January 1			
Cost	$ 63,362	$ 1,509,350	$ 1,572,712
Accumulated depreciation and impairment	-	(813,227)	(813,227)
	$ 63,362	$ 696,123	$ 759,485
January 1	$ 63,362	$ 696,123	$ 759,485
Reclassification (Note 1)	-	9,381	9,381
Reclassified to non-current assets held for sale (Note 2)	-	(104,198)	(104,198)
Depreciation expenses	-	(25,719)	(25,719)
December 31	$ 63,362	$ 575,587	$ 638,949
December 31			
Cost	$ 63,362	$ 1,247,313	$ 1,310,675
Accumulated depreciation and impairment	-	(671,726)	(671,726)
	$ 63,362	$ 575,587	$ 638,949

	2020		
	Land	Buildings and structures	Total
January 1			
Cost	$ 63,362	$ 919,571	$ 982,933
Accumulated depreciation and impairment	-	(451,461)	(451,461)
	$ 63,362	$ 468,110	$ 531,472
January 1	$ 63,362	$ 468,110	$ 531,472
Reclassification (Note 1)	-	252,754	252,754
Depreciation expenses	-	(24,741)	(24,741)
December 31	$ 63,362	$ 696,123	$ 759,485
December 31			
Cost	$ 63,362	$ 1,509,350	$ 1,572,712
Accumulated depreciation and impairment	-	(813,227)	(813,227)
	$ 63,362	$ 696,123	$ 759,485

Note 1. It is mainly for the property, plant and equipment in prepayments for equipment and reclassification from property, plant and equipment.

Note 2. Please refer to Note 6(8), Note 2 for details.

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

	2021	2020
Rental revenue of investment property	$ 47,567	$ 46,739
Direct operating expenses incurred by investment property generating rental revenue in the current period	$ 11,779	$ 10,982
Direct operating expenses incurred by investment property not generating rent revenue in current period	$ 13,940	$ 13,759

2) The fair value of the investment property held by the Company as of December 31, 2021 and 2020 was $3,731,999 and $4,851,873, 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, 2021 and 2020. The discount rate used to estimate the value in use is as follows:

	December 31, 2021	December 31, 2020
Machinery and equipment	10.06%	10.42%

2) Accumulated write-off of impairments

	2021	2020
Machinery and equipment	$ 18,122	$ 38,001

When the Company disposed of machinery and equipment in 2021 and 2020, the relevant accumulated impairments were also written off in order to calculate the gains or losses on the disposal.

l. Other non-current assets

	December 31, 2021	December 31, 2020
Prepayments for equipment	$ 13,370	$ 5,189
Refundable deposits	4,971	5,053
Overdue receivables	109,031	50,555
Less: Loss allowance	(109,031)	(50,555)
Other non-current assets - others	413,870	422,207
	$ 432,211	$ 432,449

m. Short-term borrowings

Nature of borrowings	December 31, 2021	December 31, 2020
Borrowings from financial Institutions		
Credit borrowings	$ -	$ 100,000
Borrowings for raw material purchase	336,958	10,341
	$ 336,958	$ 110,341
Interest rate range	1.05~1.47%	1.48~1.55%

Commercial paper of NT$1,764,515 and NT$1,770,300 has been issued as a guarantee for the short-term borrowing facilities as of December 31, 2021 and 2020, respectively.

n. Short-term notes payable

	December 31, 2021	December 31, 2020
Commercial paper payable	$ 50,000	$ -
Interest Rate	1.12%	-

The above short-term notes payable are guaranteed and accepted by financial institutions such as banks and bills companies.

o. Long-term borrowings

	December 31, 2021	December 31, 2020
Borrowings from financial Institutions		
Secured borrowings	$ 2,000,000	$ 1,695,000
Credit borrowings	350,000	235,000
Long-term notes	300,000	200,000
	2,650,000	2,130,000
Less: Long-term loans due within one year or one operating cycle	(725,000)	(541,000)
	$ 1,925,000	$ 1,589,000
Interest rate range	1.15~1.50%	1.24%~1.67%

1) The Company signed a financing commitment contract with O-Bank Co., Ltd. in May 2021. In 24 months from the date of the first drawdown, the total amount of borrowings is NT$200 million. 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%, and the interest coverage ratio (including depreciation and amortization expenses) shall not be less than 250%, the net value of tangible assets shall not be lower than NT$12 billion.

   The outstanding balance of the Company’s borrowings as of December 31, 2021 was NT$200,000.

2) The Company signed a financing commitment contract with Taipei Fubon Bank in April 2021. 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, 2021 was NT$650,000.

3) 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, 2021 and 2020 was NT$0 and NT$650,000, respectively.

4) 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, 2021 and 2020 was NT$0 and NT$110,000, respectively.

5) The remaining loan installment repayment periods start from 2018 to 2024.

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

7) The Company's amounts of loans not drawn down as of December 31, 2021 and 2020 are as follows:

	December 31, 2021	December 31, 2020
Due in more than one year	$ 1,420,000	$ 950,000

p. Pension

1) a) The Company has 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 accrued 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 accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company sets aside 2% of the employee's total salary each month as pension funds and deposit it to the designated account under the name of the Labor Pension Funds Supervisory Committee at the Bank of Taiwan. Before the end of each year, the Company assesses the balance in the designated account. If the total available amount 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 above method, the Company will make up for the difference in a lump sum before the end of March in the following year.

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

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	$ 213,753	$ 238,786
Fair value of plan assets	(132,137)	(116,946)
Net defined benefit liabilities (listed in other non-current liabilities)	$ 81,616	$ 121,840

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
2021			
Balance at January 1	$ 238,786	($ 116,946)	$ 121,840
Service cost for the current period	473	-	473
Interest (expense) revenue	716	(351)	365
	239,975	(117,297)	122,678
Re-measurements:			
Return on plan assets (not including interest revenue or expenses)	-	(1,895)	(1,895)
Change in demographic assumptions	165	-	165
The effect of changes in financial assumptions	(6,828)	-	(6,828)
Experience adjustments	(2,477)	-	(2,477)
	(9,140)	(1,895)	(11,035)
Pension contributed	-	(14,277)	(14,277)
Pension paid	(17,082)	1,332	(15,750)
Balance, December 31	$ 213,753	($ 132,137)	$ 81,616

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
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	2,377	(919)	1,458
	274,458	(132,106)	142,352
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	(661)	-	(661)
	6,772	(4,929)	1,843
Pension contributed	-	(22,355)	(22,355)
Pension paid	(42,444)	42,444	-
Balance, December 31	$ 238,786	($ 116,946)	$ 121,840

d) As the Company closed the Zhongli factory in 2020, 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 inadequacy 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 the Fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with paragraph 142, IAS 19. For the composition of the fair value of the fund in total as of the years ended December 31, 2021 and 2020, please refer to the various labor pension utilization reports issued by the government.

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

	2021	2020
Discount rate	0.7%	0.3%
Rate of future salary increase	2%	2%

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 by 0.25%	Decrease by 0.25%	Increase by 0.25%	Decrease by 0.25%
December 31, 2021				
The effects on the present value of defined benefit obligations	($ 4,002)	$ 4,126	$ 3,530	($ 3,446)
December 31, 2020				
The effects on the present value of defined benefit obligations	($ 4,690)	$ 4,844	$ 4,154	($ 4,049)

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$13,034 to the pension plan for the year ended December 31, 2022.

h) As of December 31, 2021, 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	$	12,979
1–5 years		84,680
Over 5 years		61,776
	$	159,435

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 2021 and 2020, the pension costs recognized according to the above-mentioned pension method were NT$$17,063 and NT$23,116, respectively.

q. Share capital

1) As of December 31, 2021, 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. In 2021 and 2020, the number of outstanding shares of the Company's ordinary shares were 1,158,881 thousand shares.

2) On March 14, 2022, the Board of Directors resolved that, in order to enhance the return on equity and optimize the capital structure, the Company proposed a cash capital reduction of $695,329 and the cancellation of 69,532,872 shares of ordinary shares. Each thousand shares is exchanged for 940 new shares (i.e. canceling 60 shares per thousand shares) and each share is refunded NT$0.6. As of March 14, 2022, no registration of changes has been made.

r. 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.

	2021					
	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	$ 2,625,548	$ 5,014,346	$ 1,070	$ 77	$ 1,922	$ 7,642,963
Changes in ownership interests in subsidiaries		-	(1,070)	-	-	(1,070)
Difference between the equity price of subsidiary actually acquired or disposed of and the book value	-	-	-	(9)	-	(9)
Cash dividends issued from capital surplus	(811,217)	-	-	-	-	(811,217)
December 31	$ 1,814,331	$ 5,014,346	$ -	$ 68	$ 1,922	$ 6,830,667

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

s. Retained earnings

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

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

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

4) a) The Company passed the proposal for 2020 and 2019 earnings distribution as resolved by the shareholders’ meeting on July 23, 2021 and June 16, 2020 as follows:

	2020		2019	
	Amount	Earnings per share (NT$)	Amount	Earnings per share (NT$)
Legal reserve appropriation	$ 11,097	$ -	$ 21,379	$ -
Special reserve	118,457	-	-	-
Cash dividends	-	-	173,832	0.15
	$ 129,554		$ 195,211	

b) On July 23, 2021, the Company passed a proposal to distribute a cash dividend of NT$811,217 with NT$0.7 per share from the capital surplus from paid-in capital in excess of par value as resolved by the shareholders’ meeting.

c) 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.

There is no difference between the aforesaid distribution of earnings for 2020 and 2019 and the proposal of the Board of Directors.

5) a) The Company's board of directors passed the proposal for 2021 earnings distribution on March 14, 2022 as follows:

	2021	
	Amount	Earnings per share (NT$)
Legal reserve appropriation	$ 15,259	$ -
Special reserve	137,333	-
	$ 152,592	

b) The Company's board of directors passed a resolution on March 14, 2022, and approved to distribute a cash dividend of NT$115,888 with NT$0.1 per share from the capital surplus of the premium from the issue of stocks in excess of par value.

As of March 14, 2022, the aforementioned 2021 earnings distribution proposal and the capital surplus distribution proposal have not yet been resolved by the shareholders' meeting.

6) Please visit the Market Observatory Post System (MOPS) of the Taiwan Stock Exchange for information on the distribution of earnings approved by the board of directors and resolved by the shareholders' meeting.

t. Other equity items

	2021		
	Foreign currency translation	Unrealized valuation gains and losses	Total
January 1	($ 245,128)	($ 161,005)	($ 406,133)
Adjustment to valuation:			
- Parent company	-	12,385	12,385
- Subsidiaries and associates	-	(34,701)	(34,701)
Reclassified from valuation adjustment to retained earnings	-	1,642	1,642
Foreign currency translation difference:			
- Parent company	(186,698)	-	(186,698)
- Subsidiaries and associates	(311)	-	(311)
December 31	($ 432,137)	($ 181,679)	($ 613,816)

	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)
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	2,025	-	23,709	25,734
December 31	($ 245,128)	($ 161,005)	$ -	($ 406,133)

u. Operating revenue

	2021	2020
Revenue from customer contracts	$ 3,818,015	$ 3,935,194

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:

	2021		
	Storage media	Others	Total
Timing of revenue recognition			
Revenue recognized at a specific timing	$ 3,730,898	$ 87,117	$ 3,818,015

	2020		
	Storage media	Others	Total
Timing of revenue recognition			
Revenue recognized at a specific timing	$ 3,770,257	$ 164,937	$ 3,935,194

2) Contract liabilities

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

	December 31, 2021		December 31, 2020		January 1, 2020	
Product sales contracts	$	136,295	$	53,173	$	77,431

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

	2021		2020	
Opening balance of contract liabilities recognized as income for the period				
Product sales contracts	$	45,068	$	67,299

v. Interest revenue

	2021		2020	
Interests on bank deposits	$	389	$	1,207
Interest revenue from financial assets at amortized cost		8		18
Others (refer to Note 7(2)8(1))		21,034		26,712
	$	21,431	$	27,937

w. Other income

	2021		2020	
Rental income	$	60,377	$	58,995
Dividend income		156,603		110,445
Other income		20,750		42,567
	$	237,730	$	212,007

x. Other gains and losses

	2021	2020
Net losses on the financial assets at FVTPL	($ 7,388)	($ 38,620)
Net loss on financial liabilities at FVTPL	(17,449)	(9,259)
Net foreign currency exchange losses	(6,613)	(109,145)
Gains on disposal of property, plant and equipment and other non-current assets	4,132	1,095
Gains on disposal of non-current assets held for sale	523,948	-
Depreciation expenses not for self use (Note)	(33,934)	(33,835)
Gains on disposal of investments	-	12,531
Other expenditures	(5,340)	(6,496)
	$ 457,356	($ 183,729)

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

y. Finance costs

	2021	2020
Interest expenses:		
Bank borrowings	$ 44,766	$ 40,328
Others	177	313
Borrowing facility management expense	1,197	1,265
	46,140	41,906
Less: Amount qualified for capitalization	(201)	(323)
	$ 45,939	$ 41,583

z. Employee benefit, depreciation, and amortization expenses

In 2021 and 2020, the employee benefit, depreciation, and amortization expenses incurred by the Company are summarized as follows by function:

Function / Nature	2021		
	Operating costs	Operating expenses	Total
Employee benefit expenses			
Salaries and wages	$ 348,834	$ 93,171	$ 442,005
Labor and health insurance premiums	36,463	9,984	46,447
Pension expenses	13,371	4,530	17,901
Directors' Remuneration	-	3,170	3,170
Other personnel expenses	6,361	2,851	9,212
Depreciation expenses	353,824	66,541	420,365
Amortization expenses	5,856	44,395	50,251

Function / Nature	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)
Directors' Remuneration	-	3,880	3,880
Other employee benefit expenses	8,529	2,878	11,407
Depreciation expenses	463,261	43,563	506,824
Amortization expenses	9,745	43,410	53,155

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 2021 and 2020 employee compensation and directors' remuneration are based on the profitability of the years. The employee compensation was estimated at 1.08% and 2.04%, and the remuneration of directors was estimated at 0.57% and 1.50%, respectively. The estimated amounts of employee compensation were $3,000 and $3,000, respectively; the estimated amounts of directors'

remuneration were $1,600 and $2,200, respectively, and the said amounts were accounted for under salaries and wages and were paid in cash.

The amounts of the employee compensation and the remuneration of directors for 2020 approved by the board of directors were the same as the amounts recognized in the 2020 financial statements. They were $3,000 and $2,200, respectively.

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

4) The Company's number of employees was 722 and 1,001, respectively as of the end of 2021 and 2020, and the number of directors who did not serve as employees in 2021 and 2020 was 7 and 9, respectively.

5) 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 2021 and 2020 were NT$721 and NT$588, respectively.

   b) The average employee salaries and wages in 2021 and 2020 were NT$618 and NT$559, respectively.

   c) The average employee salary adjustment is 10.6%.

   d) The company has set up an audit committee in 2021 and 2020, so there was no remuneration for supervisors.

   e) The Company's salary and remuneration policy:

      Directors and managers:

      i. A remuneration committee is set up to effectively measure the overall salary and remuneration of the Company's directors and managers.

      ii. The manager's salary consists of a fixed salary and employee compensation, in which the salary is based on industry standards as well as title, position, rank, education (experience), professional ability and responsibilities.

      Employee:

      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.

6) 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.

aa. Income tax

1) Income tax expense

a) Components of income tax expense:

	2021	2020
Current income tax:		
Income tax incurred in current period	$ 76,854	$ -
Income tax overestimates for prior years	(430)	(67)
Total current income tax	76,424	(67)
Deferred income tax:		
Initial recognition and reversal of temporary differences	36,061	30,576
Income tax expense	$ 112,485	$ 30,509

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

	2021	2020
Share of other comprehensive income on associates	($ 269)	($ 128)
Remeasurement of defined benefit obligations	(2,207)	369
	($ 2,476)	$ 241

2) Reconciliation between income tax expense and accounting profit

	2021	2020
Income tax calculated based on income before tax and statutory tax rate	$ 54,734	$ 28,316
Expenses which shall be excluded in accordance with the provisions of the tax law	787	1,845
Income on which income tax shall be levied according to tax law	771	804
Items exempt from taxation according to tax law	(148,527)	(54,778)
Unrealized gains or losses on financial assets that are not taxable	4,028	28,114
Temporary differences not recognized in deferred income tax assets	58,659	(53,621)
Taxable loss not recognized in deferred income tax assets	45,926	11,494
Change in realizability evaluation of deferred income tax liabilities	19,683	68,402
Income tax overestimates/underestimates for prior years	(430)	(67)
Land value increment tax on the land sold	76,854	-
Income tax expense	$ 112,485	$ 30,509

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

	2021			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred income tax assets:				
- Temporary differences:				
Over-limit of allowance for loss	$ 27,462	$ 4,396	$ -	$ 31,858
Inventory valuation loss	28,495	(12,383)	-	16,112
Compensation for unused annual leave	4,451	(202)	-	4,249
Unrealized exchange loss	12,765	(7,439)	-	5,326
Remeasurement of defined benefit obligations	14,566	-	(2,207)	12,359
Unrealized sales gains	21,766	(767)	-	20,999
-Tax losses	108,316	(19,666)	-	88,650
Subtotal	$ 217,821	($ 36,061)	($ 2,207)	($ 179,553)
Deferred income tax liabilities:				
- Temporary differences:				
Provision for land value increment tax	($ 21,379)	$ -	$ -	($ 21,379)
Others	(18)	-	-	(18)
Subtotal	($ 21,397)	$ -	$ -	($ 21,397)
Total	$ 196,424	($ 36,061)	($ 2,207)	$ 158,156

	2020			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
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	77,381	30,935	-	108,316
Subtotal	$ 248,585	($ 31,133)	$ 369	$ 217,821

	2020			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred income tax liabilities:				
- Temporary differences:				
Unrealized sales losses	($ 557)	$ 557	$ -	$ -
Provision for land value increment tax	(21,379)	-	-	(21,379)
Others	(18)	-	-	(18)
Subtotal	($ 21,954)	$ 557	$ -	($ 21,397)
Total	$ 226,631	($ 30,576)	$ 369	$ 196,424

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, 2021				
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
2013	Approved amount	1,396,315	1,348,348	2023
2014	Approved amount	792,870	695,748	2024
2015	Approved amount	1,242,438	1,099,688	2025
2016	Approved amount	2,413,223	2,257,811	2026
2017	Approved amount	570,239	570,239	2027
2018	Approved amount	542,996	542,996	2028
2020	Declared amount	367,101	367,101	2030
2021	Estimated amount	229,629	229,629	2031
		$ 7,554,811	$ 7,111,560	

December 31, 2020				
Year of occurrence	Declared/Approved amount	Amount of unused tax loss carryforwards	Amount of unrecognized deferred income tax assets	Final year the carryforwards are due
2011	Approved amount	1,269,401	1,189,982	2021
2013	Approved amount	1,396,315	1,296,877	2023
2014	Approved amount	792,870	638,449	2024
2015	Approved amount	1,242,438	1,034,133	2025
2016	Approved amount	2,413,223	2,413,223	2026
2017	Approved amount	570,239	570,239	2027
2018	Approved amount	542,996	542,996	2028
2020	Declared amount	367,101	367,101	2030
		$ 8,594,583	$ 8,053,000	

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

	December 31, 2021	December 31, 2020
Deductible temporary differences	$ 11,035,139	$ 11,117,466

6) The profit-seeking enterprise income tax returns filed by the Company up to 2019 have been approved by the tax collection authorities:

bb. Earnings per share

	2021		
	Amount after tax	Weighted average number of outstanding shares (thousand shares)	Earnings per share (NTD)
Basic earnings per share			
Net income	$ 161,186	1,158,881	$ 0.14
Diluted earnings per share			
Net income	161,186	1,158,881	
Potential effect of dilutive ordinary shares			
Employee compensation	-	350	
Current net profit plus potential effect of ordinary shares	$ 161,186	1,159,231	$ 0.14

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

cc. Additional information on cash flows

Investing activities with only partial cash payment:

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

	2021	2020
Prepayments for purchase of equipment	$ 75,755	$ 112,955
Add: Payable, beginning of period	60,922	50,922
Less: Payable, end of period	(34,936)	(60,922)
Cash paid in the current period	$ 101,741	$ 102,955

2) Intangible assets:

	2021	2020
Acquisition of intangible assets	$ 7,310	$ 18,977
Add: Payable, beginning of period	425	85,930
Less: Payable, end of period	(662)	(425)
Cash paid in the current period	$ 7,073	$ 104,482

dd. Changes in liabilities from financing activities

	2021				
	Short-term borrowings	Short-term notes payable	Long-term borrowings (including due within one year or one operating cycle)	Lease liabilities	Total liabilities from financing activities
January 1	$ 110,341	$ -	$ 2,130,000	$11,934	$ 2,252,275
Changes in cash flow from financing activities	226,617	50,000	520,000	(11,249)	785,368
Other non-cash changes	-	-	-	2,593	2,593
December 31	$ 336,958	$ 50,000	$ 2,650,000	$ 3,278	$ 3,040,236

	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	$ 110,341	$ 2,130,000	$ 11,934	$ 2,252,275

7. Related-Party Transactions

a. Name of the related party and relationship

Name of related party	Relationship with the Company
Sun Q Corporation Limited (Sun Q) (Note 1)	Subsidiaries
Transtouch Technology Inc. (Transtouch)	Subsidiaries
Deltamac (Taiwan) Co., Ltd. (Deltamac)	Subsidiaries
Big Sunshine Co., Ltd. (Big Sunshine) (Note 2)	Subsidiaries
Asia 1 Entertainment Co., Ltd. (Asia 1 Entertainment)	Subsidiaries
CMC Movie Corporation (CMC Movie)	Subsidiaries
CHC International Investment Corporation (CHC)	Subsidiaries
CMC Entertainment Holding Corporation (CMC Entertainment)	Subsidiaries
Sun Well Solar Corporation (Sun Well)	Subsidiaries
CMC Entertainment Hub Corporation (CMC Entertainment Hub)	Subsidiaries
Fortune (Jiangsu) Multimedia Co., Ltd. (Fortune (Jiangsu) Multimedia)	Subsidiaries
Com In Dim Corporation (Com In Dim)	Subsidiaries
Taiwanet.Com Corporation (Taiwanet.Com)	Subsidiaries
Jet-Thai Hi-Tech Co. Ltd.（Jet-Thai）	Subsidiaries
Hotan Corp.（Hotan）(Note 1)	Subsidiaries
EMC Investment Holding Ltd.（EMC H）	Subsidiaries
Verbatim Americas LLC.（VUS）	Subsidiaries
Verbatim Australia Pty. Ltd.（VAU）	Subsidiaries
Verbatim GmbH（VGmbH）	Subsidiaries
Verbatim (Hong Kong) Limited（VHK）	Subsidiaries
Verbatim Japan Ltd.（VJP）	Subsidiaries
Vie Show Cinemas Co., Ltd. (Vie Show Cinemas)	Associate

Note 1. Approved for dissolution in 2021.

Note 2. 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.

b. Significant transactions with related parties

1) Operating revenue

	2021	2020
Sales:		
Subsidiary - VJP	$ 778,582	$ 987,241
-VUS	686,412	457,972
-Others	681,035	622,039
Associate	-	285
	$ 2,146,029	$ 2,067,537

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) Purchase

	2021	2020
Purchases of goods:		
Subsidiaries	$ 2,856	$ 147,654

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

3) Accounts receivable from related parties

Accounts receivable

	December 31, 2021	December 31, 2020
Accounts receivable from related parties:		
Subsidiary - VJP	$ 355,787	$ 491,102
-VUS	173,353	86,387
-VGmbH	106,543	78,469
-VHK	15,293	57,310
- Fortune (Jiangsu) Multimedia	51,066	45,789
-Hotan	-	2,698
-Others	2,363	2,747
Loss allowance	(91)	(1,278)
	$ 704,314	$ 763,224

The accounts 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) Accounts payables

	December 31, 2021	December 31, 2020
Subsidiary - Fortune (Jiangsu) Multimedia	$ 3,158	$ 4,761
-VJP	-	2,604
	$ 3,158	$ 7,365

Accounts 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 accounts 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.

6) Asset transactions:

	Financial statement account	2021 Acquisition price	2020 Acquisition price
Subsidiary - VJP	Machinery and equipment	$ -	$ 12,309
	Other non-current assets	-	1,496
-Sun Well	Machinery and equipment	114,286	-
-Others	Machinery and equipment	172	168
		$ 114,458	$ 13,973

7) Other income

a) Rental income

	2021	2020
Subsidiary - Transtouch	$ 20,281	$ 20,274
-Others	3,354	3,487
	$ 23,635	$ 23,761

b) Other income

	2021	2020
Subsidiaries	$ 8,678	$ 8,158

8) Lending of funds - related parties

a) Lending to related parties

i. Closing Balance (Other receivables - related parties)

	December 31, 2021	December 31, 2020
Subsidiary - Sun Well	$ 1,055,300	$ 1,175,300
- EMC H	-	213,560
- Sun Q	-	329,389
Less: Loss allowance	(1,055,300)	(329,389)
	$ -	$ 1,388,860

ii. Interest revenue

	2021	2020
Subsidiary - Sun Well	$ 19,803	$ 19,980
- EMC H	1,231	6,732
	$ 21,034	$ 26,712

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 2021 and 2020 are both based on an annual interest rates of 1.55%–1.7422%.

b) Borrowing from related parties

Closing Balance (Other payables - related parties)

	2021	2021
Subsidiary - SuperNet	$ 27,655	$ -

9) Other receivables

	December 31, 2021	December 31, 2020
Subsidiaries	$ 49,332	$ 96,779
Less: Loss allowance	(43,014)	(69,624)
	$ 6,318	$ 27,155

For other receivables from subsidiaries, they are mainly for the income from receivables for outsourced processing services and collection and payment on behalf of others.

10) Other payables

	2021	2020
Subsidiary - VJP	$ 1,820	$ 22,585
- Others	8,180	3,006
	$ 10,000	$ 25,591

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

c. Information on the remuneration of the key management:

	2021	2020
Salaries and other short-term employee benefits	$ 19,735	$ 19,626
Post-employment benefits	449	449
	$ 20,184	$ 20,075

8. Pledged Assets

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

	Carrying amount		
Asset items	December 31, 2021	December 31, 2020	Purpose of collateral
Time deposits pledged (listed in financial assets at amortized cost - current)	$ 2,400	$ 2,400	Bank borrowings
Listed stocks (listed in financial assets measured at FVTPL - non-current and investments accounted for using the equity method)	1,735,180	1,336,478	Bank borrowings
Property, plant and equipment	2,574,076	2,791,879	Bank borrowings
Investment property	2,639	85,834	Bank borrowings
	$ 4,314,295	$ 4,216,591	

9. Significant Contingent Liabilities and Unrecognized Contractual Commitments

d. Contingencies: N/A.

e. Commitments:

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

	December 31, 2021	December 31, 2020
Property, plant and equipment	$ 7,720	$ 20,502

2) The Company signed license agreements for relevant optical disc products with 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(19)5 and 6(17)2 for the earnings distribution proposal for 2021 proposed by the board of directors on March 14, 2022.

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

	December 31, 2021	December 31, 2020
Financial assets		
Financial assets at fair value through profit or loss (FVTPL)		
Financial assets mandatorily at fair value through profit or loss	$ 5,734,805	$ 4,608,212
Financial assets at fair value through other comprehensive income (FVTOCI)		
Investment in designated equity instruments selected	$ 59,826	$ 47,441
Financial assets measured at amortized cost/loans and receivables		
Cash and cash equivalents	$ 1,087,921	$ 759,771
Financial assets at amortized cost - current	2,400	2,400
Notes receivable	2,049	242
Accounts receivable	1,165,485	1,155,525
Other receivables	139,718	1,582,507
Refundable deposits (listed in other non-current assets)	4,971	5,053
	$ 2,402,544	$ 3,505,498
Financial liabilities		
Financial liabilities measured at amortized cost		
Short-term borrowings	$ 336,958	$ 110,341
Short-term notes payable	50,000	-
Notes payable	69,079	86,349
Accounts payables	473,027	349,576
Other payables	326,167	440,689
Long-term borrowings (including due within one year or one operating cycle)	2,650,000	2,130,000
Guarantee deposits received (listed in other non-current liabilities)	6,406	6,048
	$ 3,911,637	$ 3,123,003
Lease liabilities	$ 3,278	$ 11,934

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, JPY, EUR, 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:

	December 31, 2021		
	Foreign currencies (thousand)	Exchange rate	Carrying amount (NTD)
(Foreign currency: Functional currency)			
Financial assets			
Monetary items			
USD: NTD	$ 51,565	27.655	$ 1,426,030
JPY: NTD	111,150	0.2405	26,732
EUR: NTD	757	31.38	23,755
CNY: NTD	12,643	4.341	54,883
Non-monetary items			
USD: NTD	$ 145,638	27.655	$ 4,027,619
Financial liabilities			
Monetary items			
USD: NTD	$ 25,141	27.655	$ 695,274
JPY: NTD	20,085	0.2405	4,830

	December 31, 2020		
	Foreign currencies (thousand)	Exchange rate	Carrying amount (NTD)
(Foreign currency: Functional currency)			
Financial assets			
Monetary items			
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
Non-monetary items			
USD: NTD	$ 148,774	28.10	$ 4,180,549
Financial liabilities			
Monetary items			
USD: NTD	$ 5,935	28.10	$ 166,774
JPY: NTD	43,465	0.2725	11,844

v. The aggregate amount of all exchange losses (including realized and unrealized) on the Company’s monetary items influenced by significant exchange rate fluctuations was NT$6,613 and NT$109,145 in 2021 and 2020, respectively.

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

	2021		
		Sensitivity analysis	
	Exchange rate band	Effect on profit and loss	Effect on other comprehensive income
(Foreign currency: Functional currency)			
Financial assets			
Monetary items			
USD: NTD	1%	$ 14,260	$ -
JPY: NTD	1%	267	-
EUR: NTD	1%	238	-
CNY: NTD	1%	549	-
Financial liabilities			
Monetary items			
USD: NTD	1%	$ 6,953	$ -
JPY: NTD	1%	48	-

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

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 2021 and 2020 would have increased or decreased by NT$57,333 and NT$46,0795, respectively, due to the gains or losses on equity instruments at FVTPL, and the other comprehensive income would have increased or decreased by NT$598 and NT$474 for 2021 and 2020, 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 2021 and 2020, the Company’s loans taken out at floating interest rates were mainly denominated in NTD and USD.

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 after tax would have decreased or increased by NT$5,300 and NT$4,260 in 2021 and 2020, 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 accounts 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' accounts 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, 2021 and 2020, 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 accounts receivable of customers with general credit ratings (including related parties). The provision matrix as of December 31, 2021 and 2020 is as follows:

	Expected loss rate	Total carrying amount	Loss allowance	Total
December 31, 2021				
Not past due	0.4%	$ 35,726	($ 142)	$ 35,584
Overdue for 1–30 days	2.3%	12,093	(278)	11,815
Overdue for 31–60 days	3.8%	6,021	(229)	5,792
Overdue for 61–90 days	7.4%	6,993	(517)	6,476
Overdue for 91–180 days	8.6~17.4%	10,795	(1,607)	9,188
Overdue for more than 180 days	20.7~100%	74,917	(59,753)	15,164
Total		$ 146,545	($ 62,526)	$ 84,019

	Expected loss rate	Total carrying amount	Loss allowance	Total
December 31, 2020				
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%	163,543	(93,203)	70,340
Total		$ 232,812	($ 98,022)	$ 134,790

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 accounts receivable as of December 31, 2021 and 2020 was NT$1,084,704 and NT$1,022,772, respectively, and the loss allowance was NT$1,189 and NT$1,795, respectively.

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

	2021			
	Notes receivable and accounts receivable (including related parties)	Other receivables (including related parties)	Overdue receivables	Total
January 1	$ 99,817	$ 407,434	$ 50,555	$ 557,806
Impairment loss	23,078	2,042	-	25,120
Reversal of impairment loss	-	-	(704)	(704)
Write-off of unrecoverable accounts	-	(398,494)	-	(398,494)
Transfer of overdue receivables	(59,180)	-	59,180	-
Transfer of Credit balance of investments accounted for using the equity method	-	1,095,795	-	-
December 31	$ 63,715	$ 1,106,777	$ 109,031	$ 1,279,523

	2020			
	Notes receivable and accounts 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	$ 99,817	$ 407,434	$ 50,555	$ 557,806

Among the losses recognized in 2021 and 2020, the impairment losses recognized for receivables arising from customer contracts were NT$22,374 and NT$72,468, 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.

Non-derivative financial liabilities:

December 31, 2021	Within 1 year	1-2 years	2-5 years	Over 5 years
Short-term borrowings	$ 337,588	$ -	$ -	$ -
Short-term notes payable	50,000	-	-	-
Notes payable	69,079	-	-	-
Accounts payables	473,027	-	-	-
Other payables	326,167	-	-	-
Lease liabilities	3,278	-	-	-
Long-term borrowings (including due within one year or one operating cycle and estimated interest accrued)	755,979	1,293,801	653,186	-
Guarantee deposits received (listed in other non-current liabilities)	-	1,576	1,096	3,734

Non-derivative financial liabilities:

December 31, 2020	Within 1 year	1-2 years	2-5 years	Over 5 years
Short-term borrowings	$ 110,341	$ -	$ -	$ -
Notes payable	86,349	-	-	-
Accounts 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

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 3: 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, accounts receivable, other receivables, refundable deposits (listed in other non-current assets), overdue receivables (listed in other non-current assets), short-term borrowings, notes payables, accounts 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, 2021	Level 1	Level 2	Level 3	Total
Assets				
Fair value on a recurring basis				
Financial assets at fair value through profit or loss (FVTPL)				
Equity securities	$ 5,733,294	$ -	$ -	$ 5,733,294
Derivative instruments	-	1,511	-	1,511
Financial assets at fair value through other comprehensive income (FVTOCI)				
Equity securities	-	-	59,826	59,826
Total	$ 5,733,294	$ 1,511	$ 59,826	$ 5,794,631

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

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:

	Listed Stocks
Market quoted prices	Closing price

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 2021 and 2020.

5) The table below shows the changes in Level 3 fair value in 2021 and 2020:

	2021	2020
	Equity instruments	Equity instruments
January 1	$ 47,441	$ 32,160
Decrease for the current period	-	(1,934)
Listed in unrealized gain/loss on investments in equity instruments at FVTOCI	12,385	17,215
December 31	$ 59,826	$ 47,441

6) There were no transfers into or out of Level 3 fair value in 2021 and 2020.

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:

	Fair value on December 31, 2021	Valuation technique	Significant unobservable input	Interval (weighted average)	Relationship between input and fair value
Non-derivative equity instruments:					
Unlisted stocks	$ 59,435	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	391	Net asset value method	N/A	N/A	N/A

	December 31, 2020 Fair Value	Valuation technique	Significant unobservable input	Interval (weighted average)	Relationship between input and fair value
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

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.

d. Impact Assessment of the COVID-19 Outbreak

Due to the impact of the COVID-19 epidemic and the government's promotion of various epidemic prevention measures, the Company's operations have not been significantly affected by the epidemic and related epidemic prevention measures as of December 31, 2021, and the Company has taken measures to prevent the spread of the epidemic from affecting the Company's operations and is continuously managing the related issues.

13. Supplementary Disclosures

a. Information on significant transactions

1) Loans to others: Please refer to Table 1.

2) Endorsements/Guarantees Provided to Others： Please refer to 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): Please refer to Table 3.

4) Marketable Securities Acquired or Sold Amounting to at Least NT$300 Million or 20% of the Paid-in Capital： Please refer to 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: Please refer to 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: Please refer to Table 6.

8) Receivables from Related Parties Amounting to at Least NT$100 Million or 20% of the Paid-in Capital: Please refer to Table 7.

9) Trading in derivative instruments: Please refer to Note 6(2).

10) Business Relations and Important Transactions Between Parent Company and Subsidiaries and Among Subsidiaries and Amounts: Please refer to 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): Please refer to 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: Please refer to Table 7: Related-Party Transactions and Notes 13(1)10.

d. Information on Major Shareholders

Information on major shareholders: Please refer to Table 11.

14. Segment Information

N/A.

CMC Magnetics Corporation
Loans to Others
For the Year Ended December 31, 2021

Table 1

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)	Closing Balance	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 Name	Collateral Value	Limit for Individual Borrower	Total Limit	Note
0	The Company	Sun Well	Other receivables - related parties	Y	$ 1,175,300	$ 1,055,300	$ 1,055,300	1.70	2	-	Working capital	$1,055,300	-	$ -	$ 2,716,378	$ 7,243,675	Note 7, Note 14
0	The Company	EMC H	Other receivables - related parties	Y	464,800	-	-	1.55~1.7422	2	-	Working capital	-	-	-	2,716,378	7,243,675	Note 7
1	CMC Movie	Asia 1 Entertainment	Other receivables	Y	49,000	49,000	49,000	1.17	2	-	Working capital	49,000	-	-	54,920	54,920	Note 8, Note 14
2	EMC H	Fortune (Jiangsu) Multimedia	Other receivables	Y	253,695	246,130	246,130	-	2	-	Working capital	-	-	-	541,968	1,445,248	Note 10, Note 13
2	EMC H	VJP	Other receivables	Y	27,250	24,050	24,050	-	2	-	Working capital	-	-	-	541,968	1,445,248	Note 10, Note 13
3	SuperNet	The Company	Other receivables	Y	112,000	27,655	27,655	-	2	-	Working capital	-	-	-	169,243	135,394	Note 11, Note 13
4	Fortune (Jiangsu) Electronic	Sun Biotech Limited	Other receivables	Y	16,567	16,517	16,517	4.35	2	-	Working capital	-	-	-	47,425	47,425	Note 8, Note 13
5	Deltamac	Asia 1 Entertainment	Other receivables	Y	14,623	-	-	2.40	1	2,808	Working capital	-	-	-	2,808	143,242	Note 12
6	CHC	Asia 1 Entertainment	Other receivables	Y	280,000	217,000	217,000	1.50	2	-	Working capital	217,000	-	-	300,000	1,308,744	Note 9, Note 14

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. For any transaction recognized in amount receivable from associates, amount receivable from related parties, shareholders' transactions, advance payments, temporary debits, etc., in the case of a fund lent to others, this field shall be entered.

Note 3. The highest balance of funds loaned 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 worth of the lender. For the parent company of the Company and foreign companies in which the ultimate parent company holds 100% of the vorting shares directly and indirectly, the limit on the funds lent shall not exceed 50% of the net worth of the Company.

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

Note 14. 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.

CMC Magnetics Corporation
Endorsements/Guarantees Provided to Others
For the Year Ended December 31, 2021

Table 2

Unit: NT$ thousands (Unless specified otherwise)

No. (Note 1)	Company Name (Endorsement/Guarantee Provider)	Party Endorsed/Guaranteed: Company Name	Party Endorsed/Guaranteed: Relationship (Note 2)	Limit of Endorsement/Guarantee for a Single Entity	Maximum Balance of Endorsement/Guarantee For the Current Period (Note 4)	Balance of Endorsement/Guarantee, End of Period (Note 5)	Actual Amount Drawn Down (Note 6)	Endorsement/Guarantee Secured with Collateral	Cumulative Endorsements/Guarantees to the Net Equity in the Latest Financial Statements (%)	Upper Limit of Endorsements/Guarantees	Parent to subsidiary (Note 7)	Subsidiary to parent (Note 7)	To Entity in Mainland China (Note 7)	Note
1	CMC Entertainment	CMC Entertainment Hub	4	$ 18,470	$ 1,632	$ 1,632	$ -	$ -	2.65	$ 18,470	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, 2021, CMC's balance of customs guarantee provided to the Customs Office for post-release duty payments was NT$3,000.
As of December 31, 2021, Transtouch's balance of customs guarantee provided to the Customs Office for post-release duty payments was NT$1,762.

CMC Magnetics Corporation

Marketable Securities Held at the End of the Period (Excluding Investment in Subsidiaries, Associates, and Joint Ventures)

For the Year Ended December 31, 2021

Table 3

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				Note
				Number of Shares	Carrying Amount (Note 2)	Ownership Percentage (%)	Fair Value	
The Company	Stock of Taiwan High Speed Rail Corporation		Financial assets at fair value through profit or loss - current	44,144,000	$ 1,395,045	0.78	$ 1,306,662	
	Stock of Yang Ming Marine Transport Corporation		Financial assets at fair value through profit or loss - current	5,086,000	565,510	0.15	615,406	
	Stock of Chateau International Development Company Limited		Financial assets at fair value through profit or loss - current	12,391,421	386,650	11.11	396,525	
	Stock of Chung Hsin Electric & Machinery Manufacturing Corporation		Financial assets at fair value through profit or loss - current	7,666,000	353,266	1.61	346,887	
	Stock of Tainan Enterprises Co., Ltd.		Financial assets at fair value through profit or loss - current	12,319,000	325,798	8.37	222,974	
	Stock of FarGlory Hotel Co., Ltd		Financial assets at fair value through profit or loss - current	4,012,000	121,052	3.82	171,312	
	USI Corporation		Financial assets at fair value through profit or loss - current	7,178,000	237,327	0.60	226,466	
	Stock of Evergreen Marine Corporation		Financial assets at fair value through profit or loss - current	1,263,000	166,278	0.02	179,978	
	Stock of Grand Pacific Petrochemical Corporation		Financial assets at fair value through profit or loss - current		485,222		488,839	
			Adjustment to valuation		(81,099)		-	
					$ 3,955,049		$ 3,955,049	
	Stock of Taiwan High Speed Rail Corporation		Financial assets at FVTPL - non-current	47,300,000	$ 1,494,782	0.84	$ 1,400,080	Note 3
	Stock of FarGlory Hotel Co., Ltd		Financial assets at FVTPL - non-current	5,000,000	150,861	4.76	213,500	Note 3
	Stock of Chateau International Development Company Limited		Financial assets at FVTPL - non-current	3,800,000	118,572	3.41	121,600	Note 3
	Stock of Big Sunshine Co., Ltd.		Financial assets at FVTPL - non-current		6,604		43,065	
			Adjustment to valuation		7,426		-	
					$ 1,778,245		$ 1,778,245	
	Stock of Riselink Venture Capital Corp.		Financial assets at FVTOCI - non-current		$ 5,920			
			Adjustment to valuation		53,906			
					$ 59,826		$ 59,826	

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$1,735,180 as collateral as of December 31, 2021.

CMC Magnetics Corporation

Marketable Securities Held at the End of the Period (Excluding Investment in Subsidiaries, Associates, and Joint Ventures)

For the Year Ended December 31, 2021

Table 3

Unit: NT$ thousands (Unless specified otherwise)

				End of Period				
Securities held by	Type and Name of Securities (Note 1)	Relationship with Securities Issuer	General Ledger Account	Number of Shares	Carrying Amount (Note 2)	Ownership Percentage (%)	Fair Value	Note
CHC	Stock of FarGlory Hotel Co., Ltd		Financial assets at fair value through profit or loss - current	9,078,000	$ 216,330	8.65	$ 387,631	
	Stock of Tatung Company		Financial assets at fair value through profit or loss - current	5,260,000	183,420	0.22	171,476	
	Stock of Big Sunshine Co., Ltd.		Financial assets at fair value through profit or loss - current		29,266		72,099	
			Adjustment to valuation		202,190		-	
					$ 631,206		$ 631,206	
	Stock of Taiwan High Speed Rail Corporation		Financial assets at FVTPL - non-current	25,651,000	$ 920,544	0.46	$ 759,270	Note 3
	Millerful No.1 REIT		Financial assets at FVTPL - non-current		313,635		324,686	
	Cathay No.1 Real Estate Investment Trust		Financial assets at FVTPL - non-current		228,081		271,950	Note 3
	Stock of Chateau International Development Company Limited		Financial assets at FVTPL - non-current	5,928,269	162,833	5.32	189,704	Note 3
	Stock of Tainan Enterprises Co., Ltd.		Financial assets at FVTPL - non-current	9,521,000	254,986	6.47	172,330	
	Stock of Chung Hsin Electric & Machinery Manufacturing Corporation		Financial assets at FVTPL - non-current	2,256,730	54,707	0.47	102,117	
			Adjustment to valuation		(114,729)		-	
					$ 1,820,057		$ 1,820,057	
	Stock of Orgchem Technologies, Inc.		Financial assets at FVTOCI - non-current		$ 135,557			
			Adjustment to valuation		(55,759)			
					$ 79,798		$ 79,798	

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, 2021, CHC pledged securities of NT$266,400 and beneficiary certificates of NT$479,150 as collateral.

CMC Magnetics Corporation

Marketable Securities Held at the End of the Period (Excluding Investment in Subsidiaries, Associates, and Joint Ventures)

For the Year Ended December 31, 2021

Table 3

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				Note
				Number of Shares	Carrying Amount (Note 2)	Ownership Percentage (%)	Fair Value	
CIA	Stock of Transpac Corporation		Financial assets at FVTOCI - non-current		$ 7,776			
			Adjustment to valuation		2,373			
					$ 10,149		$ 10,149	
Supernet	Stock of Shanghai-Hong Kong Stock Connect		Financial assets at FVTPL - current		$ 69,028			
			Adjustment to valuation		(25,201)			
					$ 43,827		$ 43,827	
	Stock of I-O Data Deivice, INC.		Financial assets at FVTPL - non-current		$ 47,725			
			Adjustment to valuation		(10,865)			
					$ 36,860		$ 36,860	
	Stock of Batagon Mining Guinea SA.		Financial assets at FVTOCI - non-current		$ 160,589			
			Adjustment to valuation		(9,472)			
					$ 151,117		$ 151,117	
CMC Movie	Principal-protected film investment agreements		Financial assets at FVTPL - non-current		$ 21,232		$ 21,232	
	Stock of Mandarin Vision Co., Ltd.		Financial assets at FVTOCI - non-current		$ 21,500			
			Adjustment to valuation		(17,796)			
					$ 3,704		$ 3,704	

Note 1. The securities mentioned in this table refer to stocks, bonds, beneficiary certificates, and securities derived from the items above that fall within the scope of IFRS 9 "Financial Instruments".

Note 2. For those measured at fair value, please fill in the carrying amount after fair value valuation adjustment.

CMC Magnetics Corporation

Marketable Securities Held at the End of the Period (Excluding Investment in Subsidiaries, Associates, and Joint Ventures)

For the Year Ended December 31, 2021

Table 3

Unit: NT$ thousands (Unless specified otherwise)

Securities held by	Type and Name of Securities (Note 1)	Relationship with Securities Issuer	General Ledger Account	End of Period: Number of Shares	End of Period: Carrying Amount (Note 2)	End of Period: Ownership Percentage (%)	End of Period: Fair Value	Note
Deltamac	Ordinary shares of Self Pick Inc.		Financial assets at FVTOCI - non-current	500,000	$ 828	6.25		
			Adjustment to valuation		(509)			
					$ 319		$ 319	
Transtouch	Cathay US Multi-Income Balanced Fund		Financial assets at fair value through profit or loss - current		$ 52,674			
	Taiwan Cement Corp. 2nd Preferred Shares		"		20,000			
			Adjustment to valuation		701			
					$ 73,375		$ 73,375	
	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		(114)			
					$ 8,933		$ 8,933	
EMC H	CDIB Yida Private Equity (Kunshan) Biomedical Equity Investment Fund		Financial assets at FVTOCI - non-current		$ 28,945			
			Adjustment to valuation		1,114			
					$ 30,059		$ 30,059	
Fortune (Jiangsu) Electronic	CDIB Yida Private Equity (Kunshan) Biomedical Equity Investment Fund		Financial assets at FVTOCI - non-current		$ 53,837			
			Adjustment to valuation		1,650			
					$ 55,487		$ 55,487	

Note 1. The securities mentioned in this table refer to stocks, bonds, beneficiary certificates, and securities derived from the items above that fall within the scope of IFRS 9 "Financial Instruments".

Note 2. For those measured at fair value, please fill in the carrying amount after fair value valuation adjustment.

CMC Magnetics Corporation

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, 2021

Table 4

Unit: NT$ thousands (Unless specified otherwise)

					Beginning Balance		Acquired (Note 3)		Sold (Note 3)				End of Period	
Trading Company	Type and Name of Securities (Note 1)	General Ledger Account	Counterparty (Note 2)	Relationship (Note 2)	Number of Shares (thousand shares)	Amount	Number of Shares (thousand shares)	Amount	Number of Shares (thousand shares)	Selling Price	Book Cost	Gains or Losses on Disposal	Number of Shares (thousand shares)	Amount
The Company	Taiwan High Speed Rail Corporation	Financial assets at FVTPL - current and non-current	-	-	67,633	$ 2,245,460	46,432	$ 1,370,560	22,621	$ 680,592	$ 726,193	($ 45,601)	91,444	$ 2,889,827
The Company	Yang Ming Marine Transport Corporation	Financial assets at fair value through profit or loss - current	-	-	-	-	17,370	1,945,436	12,284	1,387,645	1,379,926	7,719	5,086	565,510
The Company	Chung Hsin Electric & Machinery Manufacturing Corporation	Financial assets at fair value through profit or loss - current	-	-	6,557	362,566	41,560	2,027,739	40,451	2,022,311	2,037,039	(14,728)	7,666	353,266
The Company	USI Corporation	Financial assets at fair value through profit or loss - current	-	-	-	-	40,163	1,381,724	32,985	1,144,937	1,144,397	540	7,178	237,327
The Company	Evergreen Marine Corporation	Financial assets at fair value through profit or loss - current	-	-	-	-	16,230	1,907,824	14,967	1,808,551	1,741,546	67,005	1,263	166,278
The Company	Grand Pacific Petrochemical Corporation	Financial assets at fair value through profit or loss - current	-	-	-	-	23,537	702,199	20,604	610,925	616,651	(5,726)	2,933	85,548
The Company	United Microelectronics Corp.	Financial assets at fair value through profit or loss - current	-	-	4,553	213,668	95,451	5,050,170	98,854	5,233,051	5,189,038	44,013	1,150	74,800
The Company	Fubon Financial Holding Co., Ltd.	Financial assets at fair value through profit or loss - current	-	-	-	-	13,634	906,157	12,653	846,768	833,693	13,075	981	72,464
The Company	USI Corporation	Financial assets at fair value through profit or loss - current	-	-	-	-	11,738	445,114	10,527	396,918	399,483	(2,565)	1,211	45,631
The Company	Cathay Global Autonomous and Electric Vehicles ETF	Financial assets at fair value through profit or loss - current	-	-	-	-	20,513	323,648	17,857	280,187	279,847	340	2,656	43,801
The Company	Tatung Company	Financial assets at fair value through profit or loss - current	-	-	2,188	43,448	15,392	446,117	16,252	465,202	447,587	17,615	1,328	41,978
The Company	CMC Magnetics Corporation	Financial assets at fair value through profit or loss - current	-	-	-	-	81,374	2,960,528	80,774	2,952,727	2,939,489	13,238	600	21,039
The Company	Taiwan Semiconductor Manufacturing Co., Ltd.	Financial assets at fair value through profit or loss - current	-	-	-	-	2,315	1,393,636	2,280	1,336,597	1,372,664	(36,067)	35	20,972
The Company	Cathay Financial Holdings	Financial assets at fair value through profit or loss - current	-	-	-	-	8,197	423,344	7,957	419,094	408,904	10,190	240	14,440
The Company	Hon Hai Precision Industry Co., Ltd.	Financial assets at fair value through profit or loss - current	-	-	-	-	17,780	1,996,852	17,680	1,992,874	1,986,339	6,535	100	10,513
The Company	WIN Semiconductors Corp.	Financial assets at fair value through profit or loss - current	-	-	-	-	2,272	799,751	2,247	771,268	790,455	(19,187)	25	9,296
The Company	Largan Precision Company Limited	Financial assets at fair value through profit or loss - current	-	-	148	489,726	337	1,010,472	485	1,464,329	1,500,198	(35,869)	-	-
The Company	Innolux Corporation	Financial assets at fair value through profit or loss - current	-	-	-	-	51,773	912,073	51,773	905,049	912,073	(7,024)	-	-
The Company	Globalwafers. Co., Ltd.	Financial assets at fair value through profit or loss - current	-	-	-	-	533	440,350	533	437,488	440,350	(2,862)	-	-
CHC	Tatung Company	Financial assets at fair value through profit or loss - current	-	-	2,656	71,078	58,001	1,697,296	55,397	1,601,743	1,584,954	16,789	5,260	183,420
SuperNet	Hong Kong Exchanges and Clearing Limited	Financial assets at fair value through profit or loss - current	-	-	-	-	241	401,863	239	399,427	399,305	122	2	2,558
SuperNet	Sands China Limited	"	-	-	24	2,998	7,223	581,281	6,595	518,508	543,695	(25,187)	652	40,584

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.

Note 4. 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.

CMC Magnetics Corporation
Disposal of Real Estate Amounting to at Least NT$300 Million or 20% of the Paid-in Capital
For the Year Ended December 31, 2021

Table 5

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
The Company	Land, buildings and structures	June 28, 2021 (Closing was completed on August 31, 2021)	September 1, 1997	$ 294,901	$ 840,000(Contract Price)	Receipts were completed in September 2021	$ 523,948	WPG Holdings	Non-related party	To increase working capital and improve financial structure	Note 1	N/A

Note 1. Note: The price is based on the valuation report issued by Grand Elite Property Appraisal 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.

CMC Magnetics Corporation

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, 2021

Table 6

Unit: NT$ thousands (Unless specified otherwise)

Company	Counterparty	Relationship	Transaction				Situation and Reason that Transaction Conditions are Different from General Ones (Note 1)		Notes/Accounts Receivable (Payable)		Remarks (Note 2)
			Purchase (Sale)	Amount	Proportion to Total Purchases (Sales)	Credit Period	Unit Price	Credit Period	Balance	Proportion to Total Notes/ Accounts Receivable (Payable)	
The Company	Fortune (Jiangsu) Multimedia	Subsidiary of sub-subsidiary	Sale	$ 221,601	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	$ 51,066	4%	
The Company	VJP	Sub-subsidiary	Sale	778,582	20%	No significant difference from general transactions	Equivalent to non-related party	No significant difference from general transactions	355,787	30%	
The Company	VUS	Sub-subsidiary	Sale	686,412	18%	No significant difference from general transactions	Equivalent to non-related party	No significant difference from general transactions	173,353	15%	
The Company	VGmbH	Sub-subsidiary	Sale	386,331	10%	No significant difference from general transactions	Equivalent to non-related party	No significant difference from general transactions	106,543	9%	

Note 1. If related-party transaction terms are different from general transaction terms, situations and reasons for the differences shall be specified in the unit price and the credit period columns.

Note 2. In case of advance receipts (prepayments), reasons, the terms of the agreement, the amount and differences from the general transactions shall be specified in the Remarks column.

CMC Magnetics Corporation

Receivables from Related Parties Amounting to at Least NT$100 Million or 20% of the Paid-in Capital

December 31, 2021

Table 7

Unit: NT$ thousands (Unless specified otherwise)

Company under Accounts Receivable	Counterparty	Relationship	Balance of Accounts Receivable from Related Parties (Note 1)	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	Subsidiaries	$ 1,095,795	Note 2	$ -	-	$ -	$ 1,095,795
The Company	VJP	Sub-subsidiary	355,787	1.84	143,638	-	40,240	-
The Company	VUS	Sub-subsidiary	173,353	5.45	5,631	-	70,980	-
The Company	VGmbH	Sub-subsidiary	106,543	4.72	2,148	-	22,669	-
EMC H	Fortune (Jiangsu) Multimedia	Sub-subsidiary	246,130	Note 2	-	-	-	-
CHC	Asia 1 Entertainment	Sister companies	218,802	Note 2	-	-	-	218,802

Note 1. Please enter respectively according to accounts 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

Business Relations and Important Transactions Between Parent Company and Subsidiaries and Among Subsidiaries and Amounts

For the Year Ended December 31, 2021

Table 8

Unit: NT$ thousands (Unless specified otherwise)

No. (Note 1)	Company	Counterparty	Nature of Relationship (Note 2)	Transaction Details			
				General Ledger Account	Amount (Note 7)	Transaction Conditions	Proportion to Total Consolidated Revenue or Assets (Note 3)
0	The Company	Fortune (Jiangsu) Multimedia	1	Sale	$ 221,601	Note 4	2.54%
0	The Company	Fortune (Jiangsu) Multimedia	1	Accounts receivable	51,066	Note 4	0.21%
0	The Company	Sun Well	1	Other receivables	1,095,795	Note 6	4.54%
0	The Company	VJP	1	Sale	778,582	Note 4	8.94%
0	The Company	VJP	1	Accounts receivable	355,787	Note 4	1.47%
0	The Company	VUS	1	Sale	686,412	Note 4	7.88%
0	The Company	VUS	1	Accounts receivable	173,353	Note 4	0.72%
0	The Company	VGmbH	1	Sale	386,331	Note 4	4.43%
0	The Company	VGmbH	1	Accounts receivable	106,543	Note 4	0.44%
0	The Company	VHK	1	Sale	53,751	Note 4	0.62%
1	EMC H	Fortune (Jiangsu) Multimedia	1	Other receivables	246,130	Note 6	1.02%
2	CHC	Asia 1 Entertainment	3	Other receivables	218,802	Note 6	0.91%

Note 1. The information on transactions between the parent company and its subsidiaries shall be indicated in the No. column as follows:

(1) The parent company is coded “0”.

(2) The subsidiaries are coded sequentially beginning from “1” by each individual company.

Note 2. There are three types of relationships with the company. Just enter the code:

(1) Parent to subsidiary

(2) Subsidiary to parent

(3) Between subsidiaries

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

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

Note 5. The Company does not have the same type of company for comparison in terms of the purchases from Fortune (Jiangsu) Multimedia. In addition to the payment terms of Fortune (Jiangsu) 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.

CMC Magnetics Corporation

Information on Name and Location of Investees (Excluding Investees in Mainland China)

For the Year Ended December 31, 2021

Table 9

Unit: NT$ thousands (Unless specified otherwise)

				Original Investment Cost		Shares Held at the End of Period					
Investor	Name of Investee (Notes 1 and 2)	Location	Principal business	End of Current Period	End of Last Year	Number of Shares	Percentage (%)	Carrying amount	Profit or Loss on Investee (Note 2(2))	Investment Gains or Losses Recognized for Current Period (Note 2(3))	Note
The Company	EMC H	Cayman Islands	Professional investment company	$ 10,453,855	$ 10,453,855	61,527	100.00	$ 3,508,125	$ 76,503	$ 76,503	Subsidiary of the Company
The Company	CIA	Cayman Islands	Professional investment company	872,018	872,018	29,688,245	86.35	357,078	(29,805)	(25,737)	Subsidiary of the Company
The Company	CHC	Taiwan	Investment in various production businesses	180,421	180,421	261,595,273	100.00	3,010,544	(435,119)	(214,879)	Subsidiary of the Company
The Company	CMC Movie	Taiwan	Motion picture distribution	1,297,918	1,297,918	35,000,000	100.00	121,891	(50,908)	(1,410)	Subsidiary of the Company
The Company	Asia 1 Entertainment	Taiwan	Film distribution, video tape production and distribution, and retail of toys	856,125	856,125	11,868,528	93.59	1,696	(4,664)	(4,365)	Subsidiary of the Company
The Company	CMC Entertainment	Taiwan	Film production and distribution industry	714,888	714,888	66,400,000	100.00	61,566	3,339	3,339	Subsidiary of the Company
The Company	Transtouch	Taiwan	Production and sales of touch panels and other products	515,768	515,768	15,353,223	52.60	358,368	(36,283)	(18,428)	Subsidiary of the Company
The Company	Sun Well	Taiwan	Production and sales of thin-film solar cells	3,516,412	3,516,412	154,991,112	98.82	126,760	(109,301)	(108,011)	Subsidiary of the Company
The Company	Sun Q	Taiwan	Production and sales of crystalline silicon solar panels	664,676	664,676	64,052,000	58.20	(20,412)	3,262	1,898	Subsidiary of the Company
The Company	Deltamac	Taiwan	Sales of audio-visual CD products	377,635	377,635	14,892,015	38.91	165,244	(30,042)	(11,601)	Subsidiary of the Company
The Company	CMC Entertainment Hub Corporation	Taiwan	Shopping mall business	260,000	260,000	13,300,000	100.00	74,856	(22,167)	(22,167)	Subsidiary of the Company
EMC H	F5	U.S.	Professional investment company	3,591,096	3,704,046	23,064	100.00	1,268,499	(54,867)	-	Sub-subsidiary of the Company (Note 3)
EMC H	MFLLC	U.S.	Professional investment company	1,283,980	1,283,980	-	100.00	370,332	8,532	-	Sub-subsidiary of the Company (Note 3)
EMC H	Jet-Thai	Thailand	Production and sales of optical discs	3,695,664	4,207,638	43,500,400	100.00	17,576	(1,537)	-	Sub-subsidiary of the Company (Note 3)
EMC H	VJP	Japan	Trading of storage media and electronic products	16,368	16,368	5,900	100.00	37,263	12,033	-	Sub-subsidiary of the Company (Note 3)
EMC H	VAU	Australia	Trading of storage media and electronic products	411,105	411,105	100,000	100.00	345,296	11,052	-	Sub-subsidiary of the Company (Note 3)
EMC H	VGmbH	Germany	Trading of storage media and electronic products	731,912	731,912	-	100.00	841,677	110,498	-	Sub-subsidiary of the Company (Note 3)
EMC H	VHK	Hong Kong	Trading of storage media and electronic products	136,683	136,683	1,170,500	100.00	118,773	(8,874)	-	Sub-subsidiary of the Company (Note 3)
EMC H	Others	Others		-	-	-	-	(4,542)	-	-	Note 3

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))	Note
				End of Current Period	End of Last Year	Number of Shares	Percentage (%)	Carrying amount			
F5	HOTAN	U.S.	Trading of electronic products, including floppy discs and optical discs	$ 336,112	$ 406,287	-	-	$ -	($ 39,089)	$ -	Note 4
F5	VUS	U.S.	Trading of storage media and electronic products	1,418,407	1,418,407	-	100.00	1,268,968	(18,790)	-	Subsidiary of F5, sub-subsidiary of the Company (Note 3)
CIA	SuperNet	British Virgin Islands	Professional investment company	577,337	577,337	5,720,085	100.00	371,070	(26,570)	-	Sub-subsidiary of the Company (Note 3)
CIA	Others	Others		-	-	-	-	74,289	-	-	Note 3
CHC	CIA	Cayman Islands	Professional investment company	111,185	111,185	4,692,049	13.65	87,749	(29,805)	-	Subsidiary of the Company (Note 3)
CHC	Vie Show Cinemas	Taiwan	Operation and management of cinemas, restaurants, and amusement parks	14,090	14,090	23,970,000	29.96	172,796	(421,806)	-	Investee measured using the equity method by CHC, subsidiary of the Company (Note 3)
CHC	Others	Others		-	-	-	-	46,377	-	-	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. Approved for dissolution in 2021.

CMC Magnetics Corporation

Information on Investments in Mainland China - Basic Information

For the Year Ended December 31, 2021

Table 10

Unit: NT$ thousands (Unless specified otherwise)

Name of Investee in China (Note 4)	Principal business	Paid-in capital	Investment Method (Note 1)	Accumulated Investment Remitted from Taiwan, Beginning of Period	Amount of Investment Remitted or Recovered in Current Period: Remitted to Mainland China	Amount of Investment Remitted or Recovered in Current Period: Remitted back to Taiwan	Accumulated Investment Remitted from Taiwan, End of Period	Current Profit or Loss on Investee	The Company's Direct or Indirect Ownership (%)	Investment Gains (Losses) Recognized for Current Period (Note 2)	Carrying Amount of Investment, End of Period	Accumulated Repatriation of Investment Income as of End of Period	Note
Fortune (Jiangsu) Multimedia Co., Ltd.	Production and sales of optical discs	$ 1,345,476	2	$ 1,345,476	$ -	$ -	$1,345,476	$ 9,533	97.00	$ 9,247	$ 389,504	$ -	Note 2(2)B
Fortune (Jiangsu) Electronic Materials Co., Ltd.	Production and sales of plastic boxes, boxes, baskets, and similar products	531,053	2	777,852	-	246,799	531,053	(1,635)	100.00	(1,635)	118,562	-	〃
Nantong Zhongxing Multimedia Co., Ltd.	Production and sales of optical discs	35,678	2	35,678	-	-	35,678	(34)	49.00	(17)	7,905	-	〃
Sun Biotech Limited (Nantong)	R&D and wholesale of biological probiotics	14,786	2	14,786	-	-	14,786	7,269	50.00	3,635	(18,294)	-	〃

Company Name	Accumulated Outward Remittance for Investment in Mainland China, End of Period	Investment Amount Authorized by Investment Commission, MOEA	Limit on Investment Amount Stipulated by Investment Commission, MOEA
CMC Magnetics Corporation	$ 2,722,590	$ 3,649,807	$ 11,065,453

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 EMC H.

(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 Chin

B. The financial statements that have been audited by the parent company's CPAs in Taiwan.

C. Others.

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

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

CMC Magnetics Corporation
Information on Major Shareholders
December 31, 2021

Table 11

Name	Shareholding	
	Number of Shares Held	Ownership 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.

CMC Magnetics Corporation
Cash and cash equivalents
December 31, 2021

Statement 1 Unit: NT$ thousands

Items	Summary		Amount
Cash on hand			$ 212
Petty cash			130
Bank deposits			
-Checking account deposits			440
-NTD demand deposits			796,406
-Foreign currency demand deposits	USD 7,662,558.13	Exchange rate 27.655	211,908
	GBP 87,085.82	Exchange rate 37.36	3,253
	EUR 487,766.55	Exchange rate 31.38	15,306
	JPY 95,133,790	Exchange rate 0.2405	22,880
	RMB 1,510,215.29	Exchange rate 4.341	6,556
	AED 110,250.02	Exchange rate 7.530	830
- Time deposits			30,000
			$ 1,087,921

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

CMC Magnetics Corporation
Financial assets at fair value through profit or loss - current
December 31, 2021

Statement 2

Unit: NT$ thousands

Name of Securities	Summary	Number of Shares/Units	Face value (NT$)	Total Amount	Interest Rate	Cost of Acquisition	Market price Unit Price (NT$)	Market price Total Amount	Guarantee or Pledge
Listed stocks									
- Taiwan High Speed Rail	Listed stocks (Taiwan Stock Exchange)	44,144,000	$ 10	$ 441,440	-	$ 1,395,045	$ 29.60	$ 1,306,662	N/A
-Chateau International Development Co.,Ltd.	Listed stocks (Taiwan Stock Exchange)	12,391,421	10	123,914	-	386,650	32.00	396,525	N/A
- Tainan Enterprises Co., Ltd.	Listed stocks (Taiwan Stock Exchange)	12,319,000	10	123,190	-	325,798	18.10	222,974	N/A
- Chung Hsin Electric & Machinery Manufacturing Corporation	Listed stocks (Taiwan Stock Exchange)	7,666,000	10	76,660	-	353,266	45.25	346,887	N/A
- USI Corporation	Listed stocks (Taiwan Stock Exchange)	7,178,000	10	71,780	-	237,327	31.55	226,466	N/A
- Yang Ming Marine Transport Corporation	Listed stocks (Taiwan Stock Exchange)	5,086,000	10	50,860	-	565,510	121.00	615,406	N/A
- Farglory Hotel Co., Ltd.	Listed stocks (Taiwan Stock Exchange)	4,012,000	10	40,120	-	121,052	42.70	171,312	N/A
- Evergreen Marine Corporation	Listed stocks (Taiwan Stock Exchange)	1,263,000	10	12,630	-	166,278	142.50	179,978	N/A
- Others		-	-	-	-	485,222	-	488,839	
Derivative financial products									
-Forward contracts						1,511		1,511	
						4,037,659		$ 3,956,560	
Adjustment to valuation						(81,099)			
						$ 3,956,560			

CMC Magnetics Corporation
Accounts receivable
December 31, 2021

Statement 3 Unit: NT$ thousands

Customer name	Summary	Amount	Note
Non-related party			
Customer A		$ 130,152	
Customer B		113,116	
Customer C		33,471	
Others		248,035	The balance of each customer in this category did not exceed 5% of the balance of this account
		524,774	
Related Parties			
Customer C		355,787	
Customer D		173,353	
Customer E		106,543	
Customer F		51,066	
Others		17,656	The balance of each customer in this category did not exceed 5% of the balance of this account
		704,405	
Subtotal		1,229,179	
Less: Loss allowance		(63,694)	
		$ 1,165,485	

CMC Magnetics Corporation
Other receivables
December 31, 2021

Statement 4 | Unit: NT$ thousands

Items	Summary	Amount	Note
Non-related party			
Receivables on sale of stocks		$ 72,830	
Retained receivables on accounts receivable factored		43,153	
Tax refunds receivable		14,144	
Others		11,736	The balance of each item in this category did not exceed 5% of the balance of this account
		141,863	
Related Parties			
Financing receivables - related parties		$ 1,055,300	
Others		49,332	The balance of each item in this category did not exceed 5% of the balance of this account
		1,104,632	
Subtotal		1,246,495	
Less: Loss allowance		(1,106,777)	
		$ 139,718	

CMC Magnetics Corporation
Inventories
December 31, 2021

Statement 5

Unit: NT$ thousands

Items	Summary	Amount: Cost	Amount: Net realizable value	Note
Raw materials		$ 426,309	$ 378,698	The allowance for inventory valuation losses is based on cost or net realizable value, whichever is lower.
Work-in-progress		295	295	
Finished goods		310,704	370,972	
Merchandise inventory		456,654	500,836	
Inventory in transit		49,503	49,503	
		$ 1,243,465	$ 1,300,304	
Less: Allowance for inventory valuation losses		(80,562)		
		$ 1,162,903		

CMC Magnetics Corporation
Changes in investments accounted for using the equity method
For the Year Ended December 31, 2021

Statement 6

Unit: NT$ thousands

Name of Investee	Opening Balance			Increase for the current period (Note 1)		Decrease for the current period (Note 2)		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	$3,605,849	-	$-	-	($97,724)	61,527	100.00	$3,508,125	$58,724.11	$3,613,119	N/A
CIA Holding Corp.	29,688,245	86.35	408,452	-	(44,940)	-	(6,434)	29,688,245	86.35	357,078	13.96	414,500	〃
CHC International Investment Co., Ltd.	261,595,273	100.00	3,457,629	-	(216,205)	-	(230,880)	261,595,273	100.00	3,010,544	12.51	3,271,860	〃
CMC Entertainment Holding Corporation	66,400,000	100.00	50,754	-	10,812	-	-	66,400,000	100.00	61,566	0.93	61,566	〃
CMC Movie Corporation	35,000,000	100.00	173,381	-	(1,992)	-	(49,498)	35,000,000	100.00	121,891	3.44	120,441	〃
Sun Well Solar Corporation	154,991,112	98.82	(848,093)	-	1,082,865	-	(108,012)	154,991,112	98.82	126,760	(6.30)	(977,052)	〃
Sun Q Corporation Limited	64,052,000	58.20	(22,310)	-	1,898	-	-	64,052,000	58.20	(20,412)	(3.94)	(252,335)	〃
Transtouch Technology Inc.	15,353,223	52.60	376,723	-	(18,428)	-	73	15,353,223	52.60	358,368	20.10	308,600	〃
Asia 1 Entertainment Co., Ltd.	11,868,528	93.59	(246,401)	-	252,462	-	(4,365)	11,868,528	93.59	1,696	(21.13)	(250,766)	〃
Deltamac (Taiwan) Co., Ltd.	14,892,015	38.91	176,181	17,000	143	(17,000)	(11,080)	14,892,015	38.91	165,244	15.90	236,783	〃
CMC Entertainment Hub Corporation	13,300,000	100.00	97,022	-	-	-	(22,166)	13,300,000	100.00	74,856	5.63	74,856	〃
			7,229,187		1,066,615		(530,086)			7,765,716			
Add: Credit balance of long-term investment reclassified to other liabilities			1,116,804		(1,096,392)		-			20,412			
			$8,345,991		($29,777)		($530,086)			$7,786,128			

Note 1. The increase in the current period includes the acquisition cost, the share of profit or loss of subsidiaries, affiliates and joint ventures recognized under the equity method, the share of other comprehensive income or loss of subsidiaries, affiliates and joint ventures recognized under the equity method, and the increase in translation differences on the financial statements of foreign operating institutions for the current period.

Note 2. The decrease in the current period includes the sale of investments accounted for under the equity method, the share of profit or loss of subsidiaries, affiliates and joint ventures recognized under the equity method, the share of other comprehensive income or loss of subsidiaries, affiliates and joint ventures recognized under the equity method, and the decrease in translation differences on the financial statements of foreign operating companies for the current period.

CMC Magnetics Corporation
Notes payable and accounts payables - non-related parties
December 31, 2021

Statement 7 Unit: NT$ thousands

Name of Supplier	Summary	Amount	Note
Notes payable			
Supplier A		$ 22,100	
Supplier B		17,006	
Supplier C		10,550	
Supplier D		4,768	
Other minor suppliers		14,655	The balance of each supplier in this category did not exceed 5% of the balance of this account
		69,079	
Accounts payables			
Supplier E		$ 148,104	
Supplier F		125,287	
Supplier G		31,024	
Other minor suppliers		165,454	The balance of each supplier in this category did not exceed 5% of the balance of this account
		469,869	
		$ 538,948	

CMC Magnetics Corporation
Long-term borrowings
December 31, 2021

Statement 8

Unit: NT$ thousands

Lender	Summary	Due Within One Year	Due Beyond One Year	Total	Loan Period	Interest Rate	Security or Collateral	Note
Entie Commercial Bank, Ltd.	Mid-term loan (secured)	$ -	$ 550,000	$ 550,000	2020.06～2023.06	Note	Property, plant and equipment	
Taipei Fubon Commercial Bank	Mid-term loan (secured)	-	650,000	650,000	2021.04～2024.04	Note	Property, plant and equipment	
The Shanghai Commercial & Savings Bank, Ltd.	Mid-term loan (secured)	-	100,000	100,000	2021.11～2023.11	Note	Property, plant and equipment	
Taishin International Bank	Long-term borrowings (secured)	300,000	-	300,000	2020.05～2022.05	Note	Securities	
KGI Commercial Bank Co., Ltd.	Long-term borrowings (secured)	-	300,000	300,000	2021.11～2023.11	Note	Property, plant and equipment	
KGI Commercial Bank Co., Ltd.	Long-term borrowings	25,000	25,000	50,000	2021.11～2023.11	Note	Credit	
O-Bank Co., Ltd.	Mid-term loan	100,000	-	100,000	2020.06～2022.06	Note	Credit	
O-Bank Co., Ltd.	Mid-term loan	-	200,000	200,000	2021.05～2023.05	Note	Credit	
O-Bank Co., Ltd.	Commercial paper	200,000	-	200,000	2020.06～2022.06	Note	Securities	
O-Bank Co., Ltd.	Commercial paper	100,000	-	100,000	2020.06～2022.06	Note	Securities	
Sunny Bank Ltd.	Mid-term loan (secured)	-	100,000	100,000	2021.01～2023.01	Note	Securities	
		$ 725,000	$ 1,925,000	$ 2,650,000				

Note: The interest rate range is 1.15%–1.50%.

CMC Magnetics Corporation
Operating revenue
For the Year Ended December 31, 2021

Statement 9 Unit: NT$ thousands

Items	Summary	Amount	Note
Sales revenue	Storage media products	$ 3,818,015	

CMC Magnetics Corporation
Operating costs
For the Year Ended December 31, 2021

Statement 10 Unit: NT$ thousands

Items	Summary	Amount	Note
Raw materials, beginning of period (inventory in transit)		$ 362,887	
Add: Purchase of raw materials		1,390,333	
Less: Sale of raw materials		(5,853)	
Raw materials, end of period (inventory in transit)		(475,812)	
Others		(163)	
Direct raw materials consumed		1,271,392	
Direct labor		267,499	
Production overheads		797,326	
Less: Unamortized fixed production overheads		(70,893)	
Production overheads in current period		2,265,324	
Work-in-progress, beginning of period		693	
Less: Work-in-process, end of period		(295)	
Less: Others		(278)	
Cost of finished goods		2,265,444	
Finished goods, beginning of period		469,550	
Less: Finished products, end of period		(310,704)	
Others		(8,014)	
Cost of self-made products sold		2,416,276	
Merchandise inventory, beginning of period		450,076	
Add: Purchases in current period		863,794	
Less: Merchandise inventory, end of period		(456,654)	
Cost of merchandise inventory and goods sold		857,216	
Cost of raw materials sold		5,853	
Cost of inventories sold		3,279,345	
Other operating costs		3,647	
Gains on price recovery of inventory		(61,911)	
Revenue from sale of tailings and scraps		(400)	
Unamortized fixed production overheads		70,893	
Cost of goods sold		$ 3,291,574	

CMC Magnetics Corporation
Production overheads
For the Year Ended December 31, 2021

Statement 11 Unit: NT$ thousands

Items	Summary	Amount	Note
Depreciation		$ 353,824	
Water, electricity, and gas fee		211,846	
Indirect labor		82,013	
Other production overheads		149,643	The balance of each item did not exceed 5% of the amount of this account
		$ 797,326	

CMC Magnetics Corporation
Selling and marketing expenses
For the Year Ended December 31, 2021

Statement 12 Unit: NT$ thousands

Items	Summary	Amount	Note
Royalties and export fees		$ 72,520	
Freight charge		50,874	
Amortization expenses		21,482	
Salaries and wages		12,070	
Other expenses		25,959	The balance of each item did not exceed 5% of the amount of this account
		$ 182,905	

CMC Magnetics Corporation
Administrative expenses
For the Year Ended December 31, 2021

Statement 13 Unit: NT$ thousands

Items	Summary	Amount	Note
Salaries and wages		$ 48,697	
Entertainment fee		23,646	
Tax expense		16,857	
Service fees		13,308	
Utility fees		7,864	
Other expenses		28,277	The balance of each item did not exceed 5% of the amount of this account
		$ 138,649	

CMC Magnetics Corporation
Research and development expenses
For the Year Ended December 31, 2021

Statement 14 Unit: NT$ thousands

Items	Summary	Amount	Note
Testing expense		$ 63,110	
Depreciation		62,910	
Salaries and wages		35,574	
Utility fees		17,850	
Hardware parts		12,525	
R&D material		12,231	
Other expenses		52,156	The balance of each item did not exceed 5% of the amount of this account
		$ 256,356	