

CMC Magnetics Corporation
Agendas of 2022 Annual Shareholders' Meeting

Time: 9:00AM, June 17, 2022 (Friday)

Place: 1F, No. 350, Songjiang Road, Taipei City (Importers and Exporters Association of Taipei)

Total outstanding CMC share: 1,158,881,200 shares

Total shares represented by shareholders present in person or by proxy: 652,267,077 shares (including votes casted electronically 152,325,312votes)

Percentage of shares held by shareholders present in person or by proxy:56.28%

Chairman: Wong, Ming-Sen

Recorder : Gloria Chiang

Attend:Accountant Lin, Chun-Yao

Directors present : Wong, Ming-Sen 、 Yang, Ya-Hsiu

Independent Director present : Shiau, Fung-Shyung 、 Lee, Ming-Yen

The aggregate shareholding of the shareholders present in person or by proxy constituted a quorum.

The Chairman called the meeting to order.

1. Commencement of Meeting : (The aggregate shareholding of the shareholders present in person or by proxy constituted a quorum. The Chairman called the meeting to order.)

2. Chairman's Statement : (omitted)

3. Report Items

Case 1: 2021 Business Operations. Please kindly review it.

Explanation: Please refer to attachment I of this handbook for the 2021 Business Operations.

Case 2: Audit Committee's Review Report on Final Accounts Statement for 2021. Please kindly review it.

Explanation: Please check attachment II of this handbook for the Audit Committee's Review Report.

Case 3: Report on the Company's Distribution of Employee Remuneration and Director Remuneration for 2021. Please kindly review it.

Explanation : (I) In accordance with Article 27 of the Articles of Incorporation, "If the Company has earnings, it shall set aside at least 1% of the balance as remuneration to the employees and no greater than 1.5% of the balance as remuneration to directors. But if the Company still has an accumulated deficiency, the amount to cover should be retained in advance But if the Company still has a cumulative deficit, the amount to cover should be retained in advance.

(II) The Company has decided to allocate from the 2021 earnings NT\$3,000,000 as remuneration to employees and NT\$1,600,000 as remuneration to directors.

(III) Both the aforementioned employees' remuneration and directors' remuneration were distributed in cash, and there is no discrepancy with the recognized amount in 2021.

Case 4: Report on the implementation of an improvement plan for a subsidiary's loans to others in excess of the upper limit. Please kindly review it.

Explanation:

(I) CMC Movie Corporation (hereinafter referred to as CMC Movie), a subsidiary of the Company, has provided a loan totaling NT\$49,000,000 to Asia 1 Entertainment Co., Ltd. (hereinafter referred to as Asia 1). Of which, the amount of NT\$10,000,000 would be due on August 19, 2021. If Asia 1 failed to pay it off prior to the deadline, the total loan amount would have been deemed due.

(II) As Asia 1 has now closed its stores and has no operating income to repay the loan, CMC Movie filed a petition for a payment request against Asia 1 to the Taiwan Taipei District Court on September 7, 2021 and recognized an allowance for bad debt for the full amount of the loan.

(III) As Asia 1 had no property to pay off the debt, the Taiwan Taipei District Court issued a certificate of creditor's rights on February 9, 2022, and CMC Movie will derecognize this loan in accordance with accounting principles and relevant laws and regulations.

(IV) According to the FSC's Letter, referenced Jin-Guan-Zheng-Shen No. 1100378549, the Company reports to the Board of Directors on a quarterly basis on the implementation of CMC Movie's overdue debt improvement plan, announces the implementation on a quarterly basis, and reports on the implementation to the soonest shareholders' meeting.

4. Matters for Ratification

Case 1: Approval of 2021 Business Report and Financial Statements. It is hereby submitted for ratification. (Proposed by Board of Directors)

Explanations:

(I) The Company's individual and consolidated financial statements for 2020 have been duly audited by Lin, Chun-Yao and Chang, Shu-chiung, the CPAs from PwC Taiwan, who have approved the report without reservation, and issued an unqualified opinion plus the others paragraph. The aforesaid financial statements together with the operating report have been adopted by the Board of Directors.

(II) Various statements and vouchers have been reviewed and determined as correct and accurate by the Audit Committee.

(III) We hereby submit the above statements. It is hereby submitted for ratification.

(IV) Note 1: Operating Report (Please refer to attachment I of this handbook.)

2. Financial statements. (Please refer to attachment III 、IV of this handbook.)

Resolution: 652,267,077 votes were represented at the time of voting ; 604,647,772 votes were in favor of the proposal (including votes casted electronically 108,948,115 votes) · 744,592 votes were cast against the proposal (including votes casted electronically 744,592 votes) · 0 votes were invalid, 46,874,713 votes abstain from (including votes casted electronically 46,632,605 votes) ° 92.69% voted for the proposal. The proposal was approved as the number of votes supporting the proposal exceeded the number of votes required by law and company policies.

Case 2: 2021 Profit Distribution Plan. It is hereby submitted for ratification. (Proposed by Board of Directors)

Explanation:

(I) In 2021, the Company earned a net profit of NT\$161,186,323, plus the retained earnings adjustments and set aside amounts for the legal reserve and special reserve, so there are no earnings available for distribution.

(II) The Company's 2021 profit distribution plan is as follows:

CMC Magnetics Corporation
Profit distribution plan
2021

Unit: NT\$

Item	AMOUNT
Net after-tax profit in 2021	\$ 161,186,323
Plus (Less):	
Earnings in previous year	0
Adjustment to retained earnings in 2021	(8,594,542)
Subtotal	152,591,781
Subtract:	(15,259,178)
Accrual 10% of legal surplus reserve	(137,332,603)
Accrual of special surplus reserves	0
Distributable earnings at end of 2021	0
End of Period Appropriation	

Chairman:



Manager:



Accounting Controller:



Resolution: 652,267,077 votes were represented at the time of voting ; 605,807,277 votes were in favor of the proposal (including votes casted electronically 110,107,620 votes) · 2,267,375 votes were cast against the proposal (including votes casted electronically 2,267,375 votes) · 0 votes were invalid, 44,192,425 votes abstain from (including votes casted electronically 43,950,317 votes) ° 92.87% voted for the proposal. The proposal was approved as the number of votes supporting the proposal exceeded the number of votes required by law and company policie.

5. Matters for Discussion

Case 1: The Company's Cash Distribution Plan from the capital surplus. It is hereby submitted for discussion. (Proposed by Board of Directors)

Explanation:

- (I) Pursuant to Article 241 of the Company Act, the Company plans to appropriate NT\$115,888,120 from the capital surplus - additional paid-in capital with shares issued in excess of par value, based on the shareholders' shareholdings listed on the shareholder register on the record date. This dividend distribution is NT\$0.1 per share.
- (II) The cash dividend is rounded down to NT\$1. The amounts below NT\$1. are accounted for as other income in the Company's financial statements.

- (III) After the distribution of the cash dividends is passed by the Shareholders' Meeting, the Board of Directors will be authorized to set the ex-dividend record date and the relevant matters. If this distribution proposal is amended by the competent authority or is changed in the distribution ratio due to changes in the number of outstanding shares of the Company, the shareholders' meeting is proposed to authorize the board of directors to handle it with full power.

Resolution: 652,267,077 votes were represented at the time of voting ; 607,322,454 votes were in favor of the proposal (including votes casted electronically 111,622,797 votes) · 758,830 votes were cast against the proposal (including votes casted electronically 758,830 votes) · 0 votes were invalid, 44,185,793 votes abstain from (including votes casted electronically 43,943,685 votes) ° 93.10% voted for the proposal. The proposal was approved as the number of votes supporting the proposal exceeded the number of votes required by law and company policie.

Case 2: The Company's proposal to conduct capital reduction in cash and refund of capital. It is hereby submitted for discussion. (Proposed by Board of Directors)

Explanation:

- I. In order to increase the return on shareholders' equity and optimize the capital structure, it is proposed to apply for a capital reduction in cash and refund capital to shareholders.
- II. The Company's current paid-in capital is NT\$11,588,812,000, with the capital reduction of NT\$695,328,720 in cash and 69,532,872 ordinary shares canceled. The capital is reduced in cash by 6%. After the capital reduction, the Company's paid-in capital is NT\$ 10,893,483,280.
- III. Ordinary shares are calculated separately according to the shareholders' shareholdings on the shareholder register on the record date of capital reduction and share exchange, with every 1,000 shares in exchange for 940 new shares (that is, 60 shares will be canceled for every 1,000 shares), and NT\$0.60 per share will be refunded. After the capital reduction, shareholders, for any fractional share, may register with the Company's stock transfer agency from five days till one day before the book closure date for capital reduction and share exchange to make fractional shares whole. If shareholders fail to do so or the shares are still fractional after the processing, the Company will convert such fractional shares into cash as per the par value (rounded down to NT\$1). The Chairman is authorized to request specific persons to buy such fractional shares.
- IV. After this case is approved by the shareholders' meeting and reported to the competent authority and takes effect, the Board of Directors shall be authorized to set another record date of capital reduction and handle matters related to capital reduction.

V. All the shares to be exchanged in this capital reduction are dematerialized securities, and the rights and obligations there are the same as those of the original shares.

VI. Before the record date of this capital reduction in cash, if the number of the Company's outstanding shares has changed as approved by the competent authority or due to changes in laws and regulations or other factors related to laws and regulations, and the capital reduction percentage and the refund per share need be adjusted, it is proposed to request the shareholders' meeting to authorize the Board of Directors to deal with such matters at its own discretion.

In accordance with the letter from Securities and Futures Investors Protection Center, the following information is requested:

1. The proposal of capital reduction was approved through resolution of board of directors on March 14, 2022. For common shares, 60 shares per 1,000 shares shall be cancelled (i.e. 1,000 shares replaced with 940 shares) and NT\$0.6 shall be refunded per share, which is separately calculated on "Reference date of capital reduction and replacement of shares" based on the shares held by each shareholder as recorded in the shareholders' register.
2. The Company has no significant capital expenditure needs in the near future and has a healthy financial structure (current ratio 356.10%, quick ratio 301.29% and gearing ratio 18.75% in fiscal 2021). In order to enhance the return on equity and optimize the capital structure, the Company has to reduce its capital by cash and refund shareholders' stock.
3. The cash reduction rate of 6%, totaling NT\$695,328,720, will be fully funded by working capital and will have no significant impact on the Company's financial, business and capital structure.
4. There is no plan for offering or issuance of new shares as stock dividends for the current and next year.

Summary of the statement:

Shareholder Account No. 550859, on behalf of Securities and Futures Investors Protection Center stated that:

In response to the attention of the competent authorities and investors on matters related to the cash reduction of a listed company, the Company is requested to explain the following issues.

1. The reasons, necessity and reasonableness of the reduction by cash.
2. The source of funds for the cash capital reduction, and the impact of the reduction on the company's finance, operations and the stability of the capital structure.
3. Whether the Company has any plans of offering or issuance of new shares as stock dividends in the coming year, and the necessity and reasonableness of such plans.
4. Whether there is a net cash outflow in the Company's cash flow statement in fiscal 2021.
5. Whether the Company has engaged in capital raising activities in 2020 and 2021 (issuance of common stock or preferred stock by capital increase in cash, or issuance of domestic and foreign currency convertible bonds, global depositary receipts, etc.).
6. Please detail the speech above and the Company's reply in the minutes of shareholders' meeting.

Finance Executive:

There is no significant capital expenditure in the short term and the financial structure is sound, therefore, in order to enhance shareholders' equity and optimize the capital structure, the Company has applied for the cash capital reduction.

In terms of the financial structure ratio, the current ratio and quick ratio are both above 300, and the debt ratio is only about 18.75%, hence the reduction has no significant impact on the financial structure of the Company.

As for investments or issuance of any new shares in the coming year, the Company has no such plans; neither does it in 2020 or 2021.

Resolution: 652,267,077 votes were represented at the time of voting ; 605,688,065 votes were in favor of the proposal(including votes casted electronically 109,988,408 votes) · 2,371,702 votes were cast against the proposal(including votes casted electronically 2,371,702 votes) · 0 votes were invalid, 44,207,310 votes abstain from (including votes casted electronically 43,965,202 votes) ° 92.85% voted for the proposal. The proposal was approved as the number of votes supporting the proposal exceeded the number of votes required by law and company policie.

Case 3: Amendments to the Articles of Incorporation. It is hereby submitted for discussion. (Proposed by Board of Directors)

Explanation:

- (I) In order to meet the Company's practical needs, it is proposed to amend the Articles of Incorporation.
- (II) The Table of Amendments to the Articles of Incorporation is attached (Please refer to attachment V of this handbook.)

Resolution: 652,267,077 votes were represented at the time of voting ; 605,688,065 votes were in favor of the proposal(including votes casted electronically 110,074,743 votes) · 754,891 votes were cast against the proposal(including votes casted electronically 754,891 votes) · 0 votes were invalid, 45,737,786 votes abstain from (including votes casted electronically 45,495,678 votes) ° 92.87% voted for the proposal. The proposal was approved as the number of votes supporting the proposal exceeded the number of votes required by law and company policie.

Case 4: Amendments to the Procedures for Acquisition and Disposal of Assets. It is hereby submitted for discussion. (Proposed by Board of Directors)

Explanation:

- (I) In accordance with the provisions of the FSC's Letter, referenced Jin-Guan-Zheng-Fa No. 1110380465 dated January 28, 2022, it is proposed to amend these Procedures.
- (II) The Table of Amendments to the Procedures for Acquisition and Disposal of Assets is attached. (Please refer to attachment VI of this handbook.)

Resolution: 652,267,077 votes were represented at the time of voting ; 605,778,574 votes were in favor of the proposal (including votes casted electronically 110,078,917 votes) · 758,108 votes were cast against the proposal (including votes casted electronically 758,108 votes) · 0 votes were invalid, 45,730,395 votes abstain from (including votes casted electronically 45,488,287 votes) ° 92.87% voted for the proposal. The proposal was approved as the number of votes supporting the proposal exceeded the number of votes required by law and company policies.

6. Motions: No

7. Adjournment: 9:46 AM, June 17, 2022

Appendix I

CMC Magnetics Corporation

2021 Business Report



The CMC acquired the Verbatim brand, which sells products on the five continents, we have entered the field of brand marketing and electronic consumer products and sell products, including various storage media, electronic peripherals and accessories, and LED lighting devices. In terms of high-end high-capacity CD-ROM, we have continued to increase in sales volume, leading to an increase in gross margin, and our CD-ROM products have occupied the world's largest market share. Our subsidiary in Europe has established a new e-sports brand, and its innovative and high-quality electronic products have been successfully launched to the local market.

The CMC Group will continue to integrate the research and development capabilities within the group, incorporate the latest blockchain technology, and launch a cloud storage business model with a forward-looking concept to step into the field of cloud and big data. Our strategy of diversifying the development of value-based products facilitates the group's growth momentum in revenue.

The operating results in respect of profit and finance in 2021 are as follows:

- I. Stable profit: Our consolidated net income amounted to NT\$131 million.
- II. Financial structure: Our debt ratio is 24% and current ratio is 387%.

With a stable financial structure and sufficient working capital, we plan to allocate NT\$116 million from the capital surplus of NT\$6.83 billion for distribution of a cash dividend of NT\$0.1 per share in 2022. To increase the return on shareholders' equity and optimize our capital structure, we plan to conduct capital reduction in cash and refund capital to shareholders with NT\$0.6 refunded per share.

The reports on the operation in 2021 and the future planning direction are made in the following:

I. Business Performance and Achievements in 2021

(I) Implementation results of the business plan:

The Company's 2021 individual net operating income is NT\$3,818,015 thousand, showing a 19% decrease on a year-on-year basis. Operating margin has decreased by 3% on a year-on-year basis with net income of NT\$161,186 thousand.

(II) Income and expenditure:

The Company's individual net cash outflow from operating activities in 2021 is NT\$531,061 thousand; net cash inflow from investing activities is NT\$857,047 thousand, and net cash inflow from financing activities is NT\$2,164 thousand. The overall financial

income and expenditure shows a net increase of NT\$328,150 thousand in cash and cash equivalents.

(III) Profitability analysis:

Item	2021	2020
Return on Assets (ROA) (%)	0.86	0.60
Return on Equity (ROE) (%)	0.87	0.58
Ratio of Operating Income to Paid-in Capital (%)	(0.62)	(1.04)
Ratio of Pretax Net Income to Paid-in Capital (%)	2.36	1.22
Net Profit Margin (%)	4.22	2.82
Earnings Per Share (NT\$)	0.14	0.10

(IV) Research and development status:

In terms of the Company's R&D, besides continuing to develop advanced, high-capacity optical products, the Company also used its professional technical competences in the optical disk industry to expand into other fields. These R&D projects were being completed in 2020 one-by-one.

- Completed product output of 200GB high-capacity optical product
- Stable production of various printed optical products with high margin designed for high-end B2B market
- Achieved customer verification of various archival disc (AD) products and started production and output

Expected to commence

- Development and trial production of 300GB, 500GB and even higher capacity double-sided multi-layer optical disk
- Development of archival disk with even higher capacity
- Certification and mass production of antibacterial discs
- Development of a disc backup system
- Development of biomedical and chemical technologies

II. Summary of 2022 Business Plan and Future Development Strategies are as follows:

(I) Enhanced brand marketing

We will continue the image of Verbatim as an excellent brand, develop and provide innovative and reliable products, and develop business-to-business high-end clients to

occupy the underdeveloped market through a dense network of business sites and physical sales channels, thereby expanding the brand's business territory.

(II) Data storage solutions

We will continue to develop 300G and higher-capacity, high-end optical disc products with a higher gross profit. In response to network information security and the trend of science and technology, we also actively invest in the research and development of cloud storage products to provide clients with more comprehensive data storage solutions.

(III) Cultural and creative and leisure industry

There are four restaurants, namely Com In Dim, CMC Kyoto, Beaumont Bakery, and Tai Zhi Zui in the Beaumont Park built by the CMC Group in Yangmingshan, Taipei, , to provide tourists with a high-quality and safe environment for leisure in the post-pandemic era.

(IV) Enhanced asset efficiency

CMC constantly reviews various production processes to pursue a business plan with the maximum benefits. Regarding the land and factories with lower use efficiency, the Company revitalizes or disposes of them to enhance asset efficiency.

CMC's management team will continue to uphold the Company's visions and strive to enhance CMC's long-term value and achieve sustainable operations. Last but not least, please continue to give us your support, encouragement, and your kind advice and opinions.

Chairman:

Manager:

Accounting Supervisor:

Appendix II

CMC Magnetics Corporation Audit Committee's Report

It is to certify that

The CMC's 2021 Business Report, Financial Statements, and the profit distribution plan submitted by the Board of Directors have been reviewed by us, the Audit Committee of the Company. We have not found any inconsistencies with applicable laws in our review of the aforementioned documents. Therefore, we are hereby issuing this report in compliance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please proceed to review it.

It is hereby presented to

2022 Annual General Meeting of CMC Magnetics Corporation

Convener of the Audit Committee
Shiau, Fung-Shyung

March 14, 2022

Appendix III

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:

- I. 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.
- II. 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.
- III. 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 Magnetix Corporation
Parent Company Only Balance Sheet
For the Years Ended December 31, 2021 and 2020

Unit: NT\$ thousands

			December 31, 2021		December 31, 2020	
Assets			Amount	%	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

(Continued on the next page)

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

Unit: NT\$ thousands

Liabilities and equity			December 31, 2021		December 31, 2020	
			Amount	%	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		<u>2,122,054</u>	<u>10</u>	<u>1,606,112</u>	<u>7</u>
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		<u>2,054,831</u>	<u>9</u>	<u>2,857,066</u>	<u>12</u>
2XXX	Total liabilities		<u>4,176,885</u>	<u>19</u>	<u>4,463,178</u>	<u>19</u>
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		<u>18,109,188</u>	<u>81</u>	<u>18,976,575</u>	<u>81</u>
	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		<u>\$ 22,286,073</u>	<u>100</u>	<u>\$ 23,439,753</u>	<u>100</u>

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

Chairman: Wong, Ming-Sen

Manager: Wong, Ming-Sen

Accounting Manager: Pi-yin Yang

CMC Magnetism 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			
Items	Notes	2021		2020		
		Amount	%	Amount	%	
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 Magnetism Corporation
Parent Company Only Statements of Changes in Equity
For the Years Ended December 31, 2021 and 2020

Unit: NT\$ thousands

	Notes	Retained earnings					Other equity			Total
		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	
<u>2020</u>										
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
<u>2021</u>										
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
<u>Cash flows from operating activities</u>			
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 trade 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
<u>Cash flows from investing activities</u>			
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		<u>857,047</u>	<u>572,922</u>
<u>Cash flows from financing activities</u>			
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		<u>2,164</u>	<u>(513,966)</u>
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		<u>\$ 1,087,921</u>	<u>\$ 759,771</u>

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

Chairman: Wong, Ming-Sen

Manager: Wong, Ming-Sen

Accounting Manager: Pi-yin Yang

Appendix IV

Independent Auditors' Report

(2022) Order Cai-Shen-Pao No. 21004887

To CMC Magnetism Corporation,

Audit Opinion

We have reviewed the accompanying consolidated balance sheets of CMC Magnetism Corporation, (the “Company”) and its subsidiaries (collectively, the “Group”) for the years ended December 31, 2021 and 2020 and the relevant consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and relevant notes, including a summary of significant accounting policies “(collectively referred to as the consolidated financial statements)”.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020 and for the years then ended, and its consolidated financial performance and its consolidated cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China, based on our audit results and the audit reports of other certified public accountants (CPAs)(refer to the section of “Other Matters”).

Basis for Audit Opinion

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards (GAAS) in ROC. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of this report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our auditing results and other independent auditors' reports, we believe that we have obtained sufficient and appropriate audit evidence to serve as the basis for our opinion.

Key Audit Matters

Key audit matters refer to the most vital matters in our audit of the consolidated financial statements of the Group for the year ended December 31, 2021 based on our professional judgment. Such matters have been dealt with in the course of auditing and compiling the consolidated financial statements and in the preparation of our audit opinion. As such, we do not respond to each key matter individually.

Key audit matters of the consolidated financial statements of the Group for the year ended December 31, 2021 are stated as follows

Accounting estimation of inventory valuation

Description

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

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

Corresponding audit procedures

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

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

Evaluation of impairment of property, plant and equipment

Description

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

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

Corresponding audit procedures

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

1. Recalculate relevant amounts to check the correctness of the management's relevant calculations of

the recoverable amount of assets with signs of impairment at the balance sheet date.

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

Other Matters – Audits by other CPAs

The financial statements of some of the subsidiaries and investees that are included in the consolidated financial statements of the Group were not audited by us but by other CPAs. Therefore, the opinions issued by us regarding the amounts listed in such subsidiary financial reports from the consolidated financial statements mentioned above are based on the audit report from other CPAs. The total assets aforementioned companies as of December 31, 2021 and 2020 were NT\$2,815,169 thousand and NT\$3,813,941 thousand, respectively, accounting for 11.66% and 15.38% of the total consolidated assets; the operating income for 2021 and 2020 was NT\$2,744,872 thousand and NT\$2,889,487 thousand, respectively, accounting for 31.50% and 30.74% of the consolidated operating income. In addition, part of the Group's investments using the equity method in 2021 and 2020 and part of the information on investees disclosed in Note 13 are based on their evaluation and disclosures of the financial statements made by other CPAs appointed by the investees. We did not audit said financial statements. The balance of said investment using the equity method disclosed as of December 31, 2021 and 2020 was NT\$173,761 thousand and NT\$300,803 thousand, respectively, accounting for 0.72% and 1.21% of the total consolidated assets; the comprehensive income (including the share of profit and loss and other comprehensive income on associates and joint ventures recognized under the equity method) are NT\$(123,842) thousand and NT\$(64,094) thousand, accounting for 182.59% and 261.96% of the total comprehensive income.

Other Matters - Parent Company Only Financial Reports

The Company has also prepared the parent company only financial statements for the years ended December 31, 2021 and 2020, for which we have issued an unqualified opinion, plus the audit report as in the section of other matters

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

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

In preparing the consolidated financial statements, the management is responsible for assessing the ability of the Group in continuing as a going concern, disclosing relevant matters, and adopting the going

concern basis of accounting unless the management intends to liquidate the Group or cease the operations without other viable alternatives.

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

CPAs' Responsibilities for the Audit of Consolidated Financial Statements

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

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

1. Identify and evaluate the risk of material misstatements due to fraud or error in the consolidated financial statements; design and carry out appropriate countermeasures for the evaluated risk; and obtain sufficient and appropriate evidence as the basis for their audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Understand the internal control related to the audit in order to design appropriate audit procedures under the circumstances, while not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies adopted by the management and the reasonableness of the accounting estimates and relevant disclosures.
4. Conclude on the appropriateness of the management's adoption of the going concern basis of accounting based on the audit evidence obtained and whether a material uncertainty exists for events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we believe there are events or conditions indicating the existence of a material uncertainty, we are required to remind the users of the consolidated financial statements in our audit report of the relevant disclosures therein, or to amend our audit opinion when any inappropriate disclosure is found. Our conclusion is based on the audit evidence acquired as of the date of the audit report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall expression, structure and contents of the consolidated financial statements (including relevant Notes), and whether the consolidated financial statements fairly present relevant transactions and items.
6. Obtain sufficient and appropriate audit evidence concerning the financial information of entities within the Group, to express an opinion on the consolidated financial statements. We are responsible for guiding, supervising, and performing the audit and forming an audit opinion on the Group.

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

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

From the matters communicated with the governance bodies, we determined the key audit matters for the audit of the Group's consolidated financial statements for the year ended December 31, 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 and Its Subsidiaries

Consolidated Balance Sheets

For the Years Ended December 31, 2021 and 2020

Unit: NT\$ thousands

			December 31, 2021		December 31, 2020	
Assets		Notes	Amount	%	Amount	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 2,613,653	11	\$ 3,697,814	15
1110	Financial assets at fair value through profit or loss - current	6(2)	4,705,065	19	4,186,911	17
1136	Financial assets at amortized cost - current	6(4) and 8	262,901	1	257,006	1
1150	Notes receivable, net	6(5) and 7	7,322	-	4,236	-
1170	Accounts receivable, net	6(5)(6) and 7	1,678,413	7	1,702,325	7
1200	Other receivables	6(6)	329,998	1	413,384	2
130X	Inventories	6(7)	3,330,559	14	2,796,644	11
1460	Non-current assets held for sale, net	6(13)	-	-	4,810	-
1479	Other current assets - others	6(2)	195,548	1	221,501	1
11XX	Total current assets		13,123,459	54	13,284,631	54
Non-current assets						
1510	Financial assets at fair value through profit or loss - non-current	6(2) and 8	3,667,527	15	3,097,478	12
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	390,459	2	369,487	1
1535	Financial assets at amortized cost - non-current	6(4) and 8	15,331	-	16,198	-
1550	Investments accounted for using the equity method	6(8)	173,761	1	300,803	1
1600	Property, plant and equipment	6(9)(12)(13) and 8	4,799,706	20	5,547,534	22
1755	Right-of-use assets	6(10)	202,047	1	261,700	1
1760	Investment properties, net	6(11) and 8	549,585	2	626,145	3
1780	Intangible assets	6(12)	110,758	-	146,877	1
1840	Deferred income tax assets	6(31)	459,891	2	488,033	2
1900	Other non-current assets	6(3)(12)(14)	661,535	3	666,123	3
15XX	Total non-current assets		11,030,600	46	11,520,378	46
1XXX	Total assets		\$ 24,154,059	100	\$ 24,805,009	100

(Continued on the next page)

CMC Magnetism Corporation and Its Subsidiaries

Consolidated Balance Sheets

For the Years Ended December 31, 2021 and 2020

Unit: NT\$ thousands

			December 31, 2021		December 31, 2020					
			Amount	%	Amount	%				
Liabilities and equity										
Current liabilities										
2100	Short-term borrowings	6(15) and 8	\$	546,958	2	\$	353,017	2		
2110	Short-term notes payable	6(16)		50,000	-		-	-		
2130	Contract liabilities – current	6(25)		161,741	1		85,641	-		
2150	Notes payable			70,641	-		88,478	-		
2170	Accounts payables			969,157	4		797,840	3		
2200	Other payables	6(17)		644,934	3		1,127,022	5		
2230	Current tax liabilities			6,726	-		181,506	1		
2280	Lease liabilities - current			62,110	-		63,188	-		
2320	Long-term liabilities due within one year or one operating cycle	6(18) and 8		725,000	3		541,000	2		
2399	Other current liabilities - others			158,042	1		168,775	1		
21XX	Total current liabilities			3,395,309	14		3,406,467	14		
Non-current liabilities										
2540	Long-term borrowings	6(18) and 8		1,925,000	8		1,589,000	6		
2570	Deferred income tax liabilities	6(31)		95,692	-		96,884	-		
2580	Lease liabilities - non-current			135,564	1		187,261	1		
2600	Other non-current liabilities	6(8)(19)		160,072	1		203,746	1		
25XX	Total non-current liabilities			2,316,328	10		2,076,891	8		
2XXX	Total liabilities			5,711,637	24		5,483,358	22		
Equity										
Equity attributable to the owners of parent company										
	Share capital	6(21)								
3110	Common stock			11,588,812	48		11,588,812	47		
	Capital surplus	6(22)								
3200	Capital surplus			6,830,667	29		7,642,963	31		
	Retained earnings	6(23)								
3310	Legal reserve			32,476	-		21,379	-		
3320	Special reserve			118,457	-		-	-		
3350	Retained earnings			152,592	1		129,554	1		
	Other equity	6(24)								
3400	Other equity		(	613,816)	(	3)	(	406,133)	(	2)
31XX	Total equity attributable to the owners of parent company			18,109,188	75		18,976,575	77		
36XX	Non-controlling interests	4(3)		333,234	1		345,076	1		
3XXX	Total equity			18,442,422	76		19,321,651	78		
	Significant Contingent Liabilities and Unrecognized Contractual Commitments	6(18) and 9								
	Material Events After the Balance Sheet Date	11								
3X2X	Total liabilities and equity		\$	24,154,059	100	\$	24,805,009	100		

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

Chairman: Wong, Ming-Sen

Manager: Wong, Ming-Sen

Accounting Manager: Pi-yin Yang

CMC Magnetix Corporation and Its Subsidiaries
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2021 and 2020

		Unit: NT\$ thousands, except for earnings per share					
		2021		2020			
Items	Notes	Amount	%	Amount	%		
4000 Operating revenue	6(25) and 7	\$ 8,712,988	100	\$ 9,401,027	100		
5000 Operating costs	6(7)(19)(30)	(6,714,737)	(77)	(7,397,634)	(79)		
5900 Gross operating profit		1,998,251	23	2,003,393	21		
Operating expenses	6(19)(30) and 7						
6100 Selling and marketing expenses		(974,632)	(11)	(984,317)	(11)		
6200 Administrative expenses		(780,295)	(9)	(845,637)	(9)		
6300 Research and development expenses		(323,360)	(4)	(296,480)	(3)		
6450 Expected credit loss	12(2)	(49,495)	(1)	(108,303)	(1)		
6000 Total operating expenses		(2,127,782)	(25)	(2,234,737)	(24)		
6900 Operating losses		(129,531)	(2)	(231,344)	(3)		
Non-operating income and expenses							
7100 Interest revenue	6(4)(26)	5,124	-	16,470	-		
7010 Other income	6(27)	332,662	4	279,870	3		
7020 Other gains and losses	6(2)(28)	250,420	3	277,150	3		
7050 Finance costs	6(29)	(56,770)	(1)	(49,599)	-		
7060 Share of profit (loss) on associates and joint ventures accounted for using equity method	6(8)	(123,531)	(1)	(62,997)	(1)		
7000 Total non-operating income and expenses		407,905	5	460,894	5		
7900 Net income before tax		278,374	3	229,550	2		
7950 Income tax expense	6(31)	(147,237)	(2)	(104,723)	(1)		
8200 Net profit		\$ 131,137	1	\$ 124,827	1		

(Continued on the next page)

CMC Magnetix Corporation and Its Subsidiaries
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2021 and 2020

		Unit: NT\$ thousands, except for earnings per share			
		2021		2020	
Items	Notes	Amount	%	Amount	%
Other comprehensive income, net					
Items that will not be reclassified to profit or loss					
8311 Remeasurement of defined benefit plans	6(19)	\$ 7,265	-	\$ 4,736	-
8316 Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	6(3)(24) and 12(3)	(22,334)	-	(29,458)	-
8349 Income tax related to items that will not be reclassified	6(31)	(2,243)	-	373	-
8310 Sum of items that will not be reclassified to profit or loss		(17,312)	-	(24,349)	-
Items that may be reclassified subsequently to profit or loss					
8361 Exchange differences on translating the financial statements of foreign operations	6(22)	(181,338)	(2)	(123,848)	(1)
8370 Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	6(8)(24)	(311)	-	(1,097)	-
8360 Sum of items that may be reclassified subsequently to profit or loss		(181,649)	(2)	(124,945)	(1)
8500 Total comprehensive income for current period		(\$ 67,824)	(1)	(\$ 24,467)	-
Net income (loss) attributable to:					
8610 Owners of parent company		\$ 161,186	1	\$ 111,073	1
8620 Non-controlling interests		(30,049)	-	13,754	-
Total		\$ 131,137	1	\$ 124,827	1
Total comprehensive income/(loss) attributable to:					
8710 Owners of parent company		(\$ 38,234)	(1)	(\$ 44,537)	-
8720 Non-controlling interests		(29,590)	-	20,070	-
Total		(\$ 67,824)	(1)	(\$ 24,467)	-
Earnings per share					
9750 Basic earnings per share	6(32)	\$ 0.14		\$ 0.10	
9850 Diluted earnings per share		\$ 0.14		\$ 0.10	

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

Chairman: Wong, Ming-Sen

Manager: Wong, Ming-Sen

Accounting Manager: Pi-yin Yang

CMC Magnetix Corporation and Its Subsidiaries
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2021 and 2020

Unit: NT\$ thousands

Equity attributable to the owners of parent company												
	Notes	Retained earnings					Other equity			Total	Non-controlling interests	Total equity
		Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriate d earnings (losses to be compensated)	Exchange differences on translating the financial statements of foreign operations	Unrealized gains or losses on financial assets at fair value through other comprehensive income	Equity directly associated with non-current assets held for sale			
<u>2020</u>												
Balance as of January 1, 2020		\$ 11,588,812	\$ 7,700,295	\$ -	\$ -	\$ 213,793	(\$ 121,927)	(\$ 130,722)	(\$ 23,709)	\$ 19,226,542	\$ 307,106	\$ 19,533,648
Net profit		-	-	-	-	111,073	-	-	-	111,073	13,754	124,827
Other comprehensive income for current period	6(3)(24)	-	-	-	-	(962)	(125,226)	(29,422)	-	(155,610)	6,316	(149,294)
Total comprehensive income for current period		-	-	-	-	110,111	(125,226)	(29,422)	-	(44,537)	20,070	(24,467)
Appropriation of earnings for 2019:	6(23)											
Legal reserve		-	-	21,379	-	(21,379)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(173,832)	-	-	-	(173,832)	-	(173,832)
Cash dividends appropriated from capital surplus	6(22)(23)	-	(57,944)	-	-	-	-	-	-	(57,944)	-	(57,944)
Changes in ownership interests in subsidiaries	6(22)	-	612	-	-	-	-	-	-	612	(612)	-
Disposal of equity instruments measured at fair value through other comprehensive income	6(3)(24)	-	-	-	-	861	-	(861)	-	-	-	-
Changes in non-controlling interests	6(20)	-	-	-	-	-	-	-	-	-	(903)	(903)
Net cash received from non-controlling interests of subsidiaries		-	-	-	-	-	-	-	-	-	(777)	(777)
Disposal of subsidiaries	6(24)	-	-	-	-	-	2,025	-	23,709	25,734	20,192	45,926
Balance as of December 31, 2020		<u>\$ 11,588,812</u>	<u>\$ 7,642,963</u>	<u>\$ 21,379</u>	<u>\$ -</u>	<u>\$ 129,554</u>	<u>(\$ 245,128)</u>	<u>(\$ 161,005)</u>	<u>\$ -</u>	<u>\$ 18,976,575</u>	<u>\$ 345,076</u>	<u>\$ 19,321,651</u>
<u>2021</u>												
Balance as of January 1, 2021		\$ 11,588,812	\$ 7,642,963	\$ 21,379	\$ -	\$ 129,554	(\$ 245,128)	(\$ 161,005)	\$ -	\$ 18,976,575	\$ 345,076	\$ 19,321,651
Net profit (loss)		-	-	-	-	161,186	-	-	-	161,186	(30,049)	131,137
Other comprehensive income for current period	6(3)(24)	-	-	-	-	9,905	(187,009)	(22,316)	-	(199,420)	459	(198,961)
Total comprehensive income for current period		-	-	-	-	171,091	(187,009)	(22,316)	-	(38,234)	29,590	(67,824)
Appropriation of earnings for 2020:	6(23)											
Legal reserve		-	-	11,097	-	(11,097)	-	-	-	-	-	-
Special reserve		-	-	-	118,457	(118,457)	-	-	-	-	-	-
Cash dividends appropriated from capital surplus	6(22)(23)	-	(811,217)	-	-	-	-	-	-	(811,217)	-	(811,217)
Changes in ownership interests in subsidiaries	6(22)	-	(1,070)	-	-	(16,857)	-	-	-	(17,927)	17,927	-
Difference between the equity price of subsidiary actually acquired or disposed of and the book value	6(22)	-	(9)	-	-	-	-	-	-	(9)	9	-
Disposal of equity instruments measured at fair value through other comprehensive income	6(3)(24)	-	-	-	-	(1,642)	-	1,642	-	-	-	-
Changes in non-controlling interests		-	-	-	-	-	-	-	-	-	(188)	(188)
Balance as of December 31, 2021		<u>\$ 11,588,812</u>	<u>\$ 6,830,667</u>	<u>\$ 32,476</u>	<u>\$ 118,457</u>	<u>\$ 152,592</u>	<u>(\$ 432,137)</u>	<u>(\$ 181,679)</u>	<u>\$ -</u>	<u>\$ 18,109,188</u>	<u>\$ 333,234</u>	<u>\$ 18,442,422</u>

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

Chairman: Wong, Ming-Sen

Manager: Wong, Ming-Sen

Accounting Manager: Pi-yin Yang

CMC Magnetix Corporation and Its Subsidiaries
Consolidated 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
<u>Cash flows from operating activities</u>			
Net income before tax for the period		\$ 278,374	\$ 229,550
Adjustments			
Adjustments for			
Depreciation expenses (including property, plant and equipment, right-of-use assets, and investment properties)	6(9)(10)(11)(28)(30)	672,375	787,195
Amortization expenses	6(30)	102,868	105,733
Expected credit loss	12(2)	49,495	108,303
Interest expenses	6(29)	55,573	48,333
Interest revenue	6(26)	(5,124)	(16,470)
Dividend income	6(27)	(222,244)	(169,347)
Net losses on financial assets and liabilities at fair value through profit and loss	6(2)(28)	180,509	136,476
Share-based payment benefit	6(20)	-	(903)
Share of loss of associates accounted for using equity method	6(8)	123,531	62,997
Gains on disposal of property, plant and equipment	6(28)	(7,508)	(2,287)
Gains on disposal of subsidiaries	6(28)(33)	-	(231,435)
Gains on disposal of non-current assets held for sale	6(13)(28)	(523,948)	(212,335)
Non-financial asset impairment losses	6(12)(28)	53,162	8,407
Gains on lease modification	6(10)	(8)	(40)
Gains on contract modification	6(28)	-	(133,523)
Changes in assets/liabilities related to operating activities			
Net changes in operating assets			
Financial assets mandatorily at fair value through profit or loss		(1,125,129)	(1,010,566)
Notes receivable (including related and non-related parties)		(3,086)	1,348
Accounts receivable (including related and non-related parties)		(68,736)	511,566
Other receivables		101,607	(14,605)
Inventories		(533,915)	289,206
Other current assets		25,953	39,878
Net changes in operating liabilities			
Financial liabilities at fair value through profit or loss		(17,546)	(9,259)
Contract liabilities		76,100	(149,664)
Notes and accounts payable		160,162	(148,702)
Other payables		(215,528)	(73,590)
Other current liabilities		(10,733)	54,933
Net defined benefit liabilities		(29,170)	(88,658)
Cash (outflow) inflow from operating activities		(882,966)	122,541
Interest received		5,830	16,029
Dividends received		222,220	169,398
Interest paid		(55,198)	(48,281)
Income tax paid		(199,324)	(26,277)
Net cash (outflow) inflow from operating activities		(909,438)	233,410

(Continued on the next page)

CMC Magnetism Corporation and Its Subsidiaries
Consolidated 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
<u>Cash flows from investing activities</u>			
Price of acquisition of financial assets mandatorily at fair value through profit or loss		(\$ 127,265)	(\$ 86,449)
Price of acquisition of financial assets mandatorily at fair value through other comprehensive income	12(3)	(51,692)	-
Refund from capital reduction related to financial assets at fair value through other comprehensive income	12(3)	4,642	15,021
Proceeds from disposal of financial assets at fair value through other comprehensive income	12(3)	1,570	-
Decrease (increase) in financial assets at amortized cost		(8,203)	9,004
Price of acquisition of property, plant and equipment	6(33)	(52,093)	(65,783)
Proceeds from disposal of property, plant and equipment		20,067	12,898
Price of acquisition of intangible assets		(55,987)	(50,430)
Increase in net cash of disposal of subsidiaries	6(33)	-	463,989
Increase in other non-current assets		(12,128)	(3,654)
Increase in prepayments for equipment (listed in other non-current assets)	6(33)	(89,159)	(104,341)
Proceeds from disposal of non-current assets held for sale	6(13)	818,849	394,518
Payment for the acquisition of the subsidiary	6(17)	(245,875)	-
Land value increment tax paid	6(31)	(76,854)	-
Net cash inflow from investing activities		<u>125,872</u>	<u>584,773</u>
<u>Cash flows from financing activities</u>			
Increase in short-term borrowings	6(34)	198,568	153,017
Increase in short-term notes payable	6(34)	50,000	-
Increase in long-term notes payable	6(34)	100,000	200,000
Long-term borrowings taking place for current period	6(34)	3,350,000	621,000
Repayment of long-term borrowings for current period	6(34)	(2,930,000)	(1,051,460)
Decrease in other non-current liabilities		(1,398)	(1,592)
Repayment of principal of lease liabilities	6(10)(34)	(74,025)	(81,000)
Cash dividends distributed	6(23)	(811,217)	(231,776)
Changes in non-controlling interests		(197)	(777)
Net cash outflow from financing activities		<u>(118,269)</u>	<u>(392,588)</u>
Effects of exchange rate changes on the balance of cash held in foreign currencies		(182,326)	(54,908)
Increase (decrease) in cash and cash equivalents for current period		(1,084,161)	370,687
Cash and cash equivalents, beginning of period		3,697,814	3,327,127
Cash and cash equivalents, end of period		<u>\$ 2,613,653</u>	<u>\$ 3,697,814</u>

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

Chairman: Wong, Ming-Sen

Manager: Wong, Ming-Sen

Accounting Manager: Pi-yin Yang

Appendix V

CMC Magnetics Corporation

Table of Amendments to the Articles of Incorporation

Before amendment		After amendment	Description
(Added)		Article 9-1 <u>The Company may convene a shareholders' meeting by video conference or in other methods as announced by the Ministry of Economic Affairs.</u>	Amendment is made as per Article 172-2 of the Companies Act
Article 17	The Company can convene a Board meeting at all times when an emergency occurs. The meeting of the Board of Directors shall be convened by delivery of a notice to each director in writing, via e-mail, or fax.	Article 17 The Company can convene a Board meeting at all times when an emergency occurs. The meeting of the Board of Directors shall be convened by delivery of a notice to each director in writing or <u>by electronic means</u> or fax.	Amendment is made as per Article 204 of the Companies Act
Article 30	The Articles of Incorporation were formulated on November 4, 1978; the 1st amendment was made on June 18, 1981, ..., the 43rd amendment was made on June 7, 2016; the 44th amendment was made on June 16, 2020.	Article 30 The Articles of Incorporation were formulated on November 4, 1978; the 1st amendment was made on June 18, 1981, ..., the 43rd amendment was made on June 7, 2016; the 44th amendment was made on June 16, 2020; <u>the 45th amendment was made on June 17, 2022.</u>	The amendment date at this time is added.

Appendix VI

CMC Magnetics Corporation

Table of Amendments to the Procedures for Acquisition and Disposal of Assets

Before amendment	After amendment	Description
Article 5 Professional appraisers and their appraisal officers, certified public accountants, attorneys, and securities underwriters, who provide the Company with appraisal reports or opinions shall meet the following requirements: (Omitted) The professionals referred to in the preceding paragraph shall comply with the following provisions when preparing and issuing an appraisal report or opinion letter: I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence. II. When <u>auditing</u> a case, they shall appropriately plan and execute adequate operating procedures, in order to produce a conclusion and use the conclusion as the basis for issuing a report or opinion. The relevant working procedures, data collected, and conclusions shall be fully and accurately specified in the case working papers. III. They shall conduct an item-by-item evaluation of the <u>completeness, accuracy, and reasonableness</u> of the sources of data, parameters, and information used, as the basis for issuance of an appraisal report or opinion. IV. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared such a report or opinion, and that they have evaluated and verified that the information used is reasonable <u>and accurate</u> and that they have complied with applicable laws and	Article 5 Professional appraisers and their appraisal officers, certified public accountants, attorneys, and securities underwriters, who provide the Company with appraisal reports or opinions shall meet the following requirements: (Omitted) When issuing an appraisal report or opinion, the personnel referred to in the above paragraph shall comply with <u>the shall comply with the self-discipline regulations of the associations to which they belong</u> and the following matters: I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence. II. When <u>executing</u> a case, they shall appropriately plan and execute adequate operating procedures, in order to produce a conclusion and use the conclusion as the basis for issuing a report or opinion. The relevant working procedures, data collected, and conclusions shall be fully and accurately specified in the case working papers. III. They shall conduct an item-by-item evaluation of the <u>appropriateness</u> and reasonableness of the sources of data, parameters, and information used, as the basis for issuance of an appraisal report or opinion. IV. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared such a report or opinion, and that they have evaluated and verified that the information used is <u>appropriate and</u> reasonable and that they have complied with applicable laws and regulations.	Amendment is made as per law.

Before amendment	After amendment	Description
regulations.		
Article 7 Operating procedures for acquisition or disposal of property, equipment, or right-of-use assets thereof (Omitted) IV. Evaluation Reports of Real Property, Equipment, or Right-of-use Assets thereof (Omitted) (III) Where any of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a CPA shall <u>be engaged to perform an appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation (ARDF)</u> and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price: 1. Where the discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount. 2. Where the discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.	Article 7 Operating procedures for acquisition or disposal of property, equipment, or right-of-use assets thereof (Omitted) IV. Evaluation Reports of Real Property, Equipment, or Right-of-use Assets thereof (Omitted) (III) Where any of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, <u>or all the appraisal results for the assets to be disposed of are lower than the transaction amount</u>, a CPA shall be engaged to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price: 1. Where the discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount. 2. Where the discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.	Amendment is made as per law.
Article 8 Procedures for Acquisition or Disposal of Securities: (Omitted) IV. Obtain Expert Opinion (I) If the transaction amount is 20 percent of the Company's paid-in capital or NT\$300 million or more when the Company acquires or disposes of securities, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the	Article 8 Procedures for Acquisition or Disposal of Securities: (Omitted) IV. Obtain Expert Opinion (I) If the amount of the Company's acquisition or disposal of securities is 20% of the Company's paid-in capital or NT\$300 million or more, the Company shall engage a CPA prior to the date of occurrence of the event to render an opinion regarding the reasonableness of the transaction price. However, this requirement	Amendment is made as per law.

Before amendment	After amendment	Description
reasonableness of the transaction price. <u>If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</u> However, this requirement does not apply to publicly-quoted prices of securities that have an active market, or where otherwise provided by the regulations. (II) Court documents can be substituted for reports or opinions issued by a CPA or certified appraiser if the assets are acquired or disposed of through court auction.	does not apply to publicly-quoted prices of securities that have an active market, or where otherwise provided by the regulations. (II) Court documents can be substituted for reports or opinions issued by a CPA or certified appraiser if the assets are acquired or disposed of through court auction.	
Article 9 Related Party Transactions (Omitted) II. Appraisal and Operational Procedures When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party, and the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except in trading of domestic government bonds, bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, it may not proceed to enter into a transaction contract or make a payment until the following information has been approved by the more than half of all members of the Audit Committee and passed by the Board of Directors: (I) The purpose, necessity, and expected benefits of the acquisition or disposal of assets; (II) The reason for choosing a related party as the counterparty;	Article 9 Related Party Transactions (Omitted) II. Appraisal and Operational Procedures When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party, and the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except in trading of domestic government bonds, bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, it may not proceed to enter into a transaction contract or make a payment until the following information has been approved by the more than half of all members of the Audit Committee and passed by the Board of Directors: (I) The purpose, necessity, and expected benefits of the acquisition or disposal of assets; (II) The reason for choosing a related party as the	Amendment is made as per law. Amendment is made as per law.

Before amendment	After amendment	Description
(III) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding evaluation of the reasonableness of the preliminary transaction terms under Subparagraphs (I) and (IV) of Paragraph III of this article. (IV) The date and price of original acquisition by the related party, counterparty, relation with the Company and the related party, and other affairs; (V) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction and reasonableness of the fund utilization; (VI) The appraisal report from a professional appraiser or a CPA's opinion obtained in accordance with the preceding paragraph; (VII) Restrictive covenants and other important stipulations associated with the transaction. The transaction amount in the preceding paragraph shall be calculated in accordance with the provision of Subparagraph VII of Paragraph I of Article 14 unless the Company has submitted it to the Board of Directors for approval to avoid including it in part within one year before the occurrence date of the recent transaction in accordance with this operating procedure. With respect to the types of transactions listed below, when to be conducted between the Company and its parent or subsidiaries, or between its subsidiaries of which it directly or indirectly holds 100% of their outstanding shares or total capital, the Company's Board of Directors, as per Article VII, Paragraph II, may delegate the Chairman to decide such matters when the transaction is within a certain amount and have the	counterparty; (III) Documents used to assess whether the predefined transaction terms are reasonable in accordance with Subparagraphs (I) and (IV) of Paragraph III of this article, when the Company acquires property or right-of-use asset thereof from a related party; (IV) The date and price of original acquisition by the related party, counterparty, relation with the Company and the related party, and other affairs; (V) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction and reasonableness of the fund utilization; (VI) The appraisal report from a professional appraiser or a CPA's opinion obtained in accordance with the preceding paragraph; (VII) Restrictive covenants and other important stipulations associated with the transaction. With respect to the types of transactions listed below, when to be conducted between the Company and its parent or subsidiaries, or between its subsidiaries of which it directly or indirectly holds 100% of their outstanding shares or total capital, the Company's Board of Directors, as per Article VII, Paragraph II, may delegate the Chairman to decide such matters when the transaction is within a certain amount and have the decision subsequently submitted to and ratified by the soonest Board meeting afterwards: I. Acquisition or disposal of equipment or right-of-use assets thereof held for business use. II. Acquisition or disposal of real property right-of-use assets held for business use.	

Before amendment	After amendment	Description
decision subsequently submitted to and ratified by the soonest Board meeting afterwards: I. Acquisition or disposal of equipment or right-of-use assets thereof held for business use. II. Acquisition or disposal of real property right-of-use assets held for business use. When submitting a transaction to the Board of Directors for discussion in accordance with Paragraph II, the Company shall fully consider the opinions of the Independent Directors. Where an Independent Director takes a negative opinion or reserves opinion, it shall be recorded in the meeting record of the Board of Directors. When the Company fails to obtain the approval from more than half of all members of the Audit Committee, the Company shall obtain the approval from more than two-thirds of all directors before implementing it and indicate the resolution of the Audit Committee in the meeting record of the Board of Directors. The terms "all Audit Committee members" and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.	When submitting a transaction to the Board of Directors for discussion in accordance with Paragraph II, the Company shall fully consider the opinions of the Independent Directors. Where an Independent Director takes a negative opinion or reserves opinion, it shall be recorded in the meeting record of the Board of Directors. When the Company fails to obtain the approval from more than half of all members of the Audit Committee, the Company shall obtain the approval from more than two-thirds of all directors before implementing it and indicate the resolution of the Audit Committee in the meeting record of the Board of Directors. <u>Where the Company or its subsidiary that is not a domestic publicly listed company engages in a transaction under paragraph 1, and the transaction amount reaches 10% or more of the Company's total assets, the Company shall submit the information listed in paragraph 1 to the shareholders' meeting for approval before proceeding to enter into a transaction contract or make a payment. However, the transactions between the Company and its subsidiaries or between its subsidiaries are not subject to this provision</u> The transaction amount in <u>paragraph 1</u> and the preceding paragraph shall be calculated as per the provisions under Article 14, Paragraph II, and the term "within the preceding year" refers to the year preceding the date of the current transaction. The portions have been passed by the <u>Shareholders' meeting and the Board of Directors</u> as per the regulations need not be counted toward the transaction amount. The terms "all Audit Committee members" and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.	

Before amendment	After amendment	Description
Article 10 Procedures for obtaining or disposing of intangible assets or their right-to-use assets or memberships (Omitted) IV. Expert evaluation report on intangible assets, right-of-use assets thereof, or memberships Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20% or more of its paid-in capital or NT\$300 million or more, in transactions with a domestic government agency, the Company shall engage a CPA prior to the date of the occurrence of the event to render an opinion on the reasonableness of the transaction price; <u>the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</u>	Article 10 Procedures for obtaining or disposing of intangible assets or their right-to-use assets or memberships (Omitted) IV. Expert evaluation report on intangible assets, right-of-use assets thereof, or memberships Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20% or more of its paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the Company shall engage a CPA prior to the date of the occurrence of the event to render an opinion on the reasonableness of the transaction price.	Amendment is made as per law.
Article 14 Procedure for public disclosure of information I. Regulatory announcements and declaration standards (Omitted) (VI) Where an asset transaction other than any of those referred to in the preceding five subparagraphs, disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20% or more of the Company's paid-in capital or NT\$300 million or more. Provided, this shall not apply to the following circumstances: 1. Trading of civil bonds. 2. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust	Article 14 Procedure for public disclosure of information I. Regulatory announcements and declaration standards (Omitted) (VI) Where an asset transaction other than any of those referred to in the preceding five subparagraphs, disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20% or more of the Company's paid-in capital or NT\$300 million or more. Provided, this shall not apply to the following circumstances: 1. Trading of domestic government bonds <u>or foreign government bonds with a credit rating not lower than our country's sovereign rating.</u> 2. Trading of bonds under repurchase and resale	Amendment is made as per law.

Before amendment	After amendment	Description
enterprises.	agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.	