

CMC Magnetics Corporation
Parent Company Only Financial Statements and Independent Auditors'
Report

For the Years Ended December 31, 2022 and 2021

(Stock Code: 2323)

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

CMC Magnetics Corporation
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Years Ended December 31, 2022 and 2021
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Independent Auditors' Report

(2023) Order Cai-Shen-Pao No. 22004581

To CMC Magnetics Corporation

Opinions

We have reviewed the accompanying parent company only balance sheets of CMC Magnetics Corporation (the “Company”) for the years ended December 31, 2022 and 2021 and the relevant parent company only 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, 2022 and 2021 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 Opinions

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, 2022 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, 2022 are stated as follows:

Accounting estimation of inventory valuation

Description

Refer to note 4(13) 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. The Company's inventory holds a significant monetary value and includes many items that require manual judgment for determining obsolescence. Therefore, we have listed the estimate of the Company's allowance for inventory valuation losses as one of the key audit matters for the current year.

Corresponding audit procedures

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

1. Assess the policy adopted for its allowance for valuation loss on its inventories based on the understanding of the Company's operations and the nature of the industry.
2. Ensure that the basis for determining the net realizable value is in line with the Company's policies, and randomly inspect the correctness of the selling prices and net realizable value calculations for each inventory part number.
3. Obtain obsolete inventory details that have been identified and approved by the management, inspect the relevant information and verify with the records in the account.

Evaluation of impairment of property, plant and equipment

Description

For accounting policies for impairment of property, plant and equipment and non-financial assets, please refer to notes 4(15) and 4(20) to 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 (12) 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 assess that the Company's asset impairment assessment procedures and accounting policies are consistent with accounting principles and adopted consistently, including a review of 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, 2022 and 2021 was NT\$2,130,931 thousand and NT\$2,338,817 thousand, respectively, accounting for 9.65% and 10.49% of total assets, respectively. For the year ended December 31, 2022 and 2021, the consolidated loss recognized for the aforementioned companies was NT\$387,858 thousand and NT\$293,711 thousand, respectively, accounting for 51.04% and 768.19% of the total consolidated profit and loss, respectively.

Responsibilities of Management and Governing Units for Individual Financial Statements

To ensure that the Parent Company Only Financial Statements do not contain material misstatements caused by fraud or errors, the management is responsible for preparing prudent Parent Company Only Financial Statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for preparing and maintaining necessary internal control procedures pertaining to the Parent Company Only Financial Statements.

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.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the Parent Company Only Financial Statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high degree of assurance, but it 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 can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

We applied professional judgment and skepticism in our audit in accordance with the auditing standards of 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 Parent Company Only Financial Statements; design and carry out appropriate countermeasures for the evaluated risk; and obtain sufficient and appropriate evidence as the basis for 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. Gain an understanding of the internal control related to the audit in order to design appropriate audit procedures under the circumstances, but 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 management and the reasonableness of accounting estimates and related disclosures.
4. Conclude on the appropriateness of the management's adoption of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists for events or conditions that may cast significant doubt on the Company's ability to operate as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Parent Company Only Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall expression, structure, and content of the parent company only financial statements (including related 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 that we communicate with the governance unit, including the planned scope and timing 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 related safeguards).

We have determined, based on our communications with the governance bodies, the key audit matters for the audit of the Company's parent company only financial statements for the year ended December 31, 2022. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers Taiwan
Chang, Shu-Chiung
CPA
Wang, Song-Tse

Former Financial Supervisory Commission, Executive Yuan
Approval No.: Jin-Guan-Zheng-Shen No. 0990042602
Financial Supervisory Commission
Approval No.: Jin-Guan-Zheng-Shen No. 1110349013

March 14, 2023

CMC Magnetics Corporation
Parent Company Only Balance Sheets
December 31, 2022 and 2021

			Unit: NT\$ thousands			
			December 31, 2022		December 31, 2021	
Assets		Notes	Amount	%	Amount	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,191,212	5	\$ 1,087,921	5
1110	Financial assets at fair value through profit or loss - current	6(2)	3,709,729	17	3,956,560	18
1136	Financial assets at amortized cost - current	8	2,400	-	2,400	-
1150	Notes receivable, net	6(4)	230	-	2,049	-
1170	Accounts receivable, net	6(4)(5)	396,291	2	461,171	2
1180	Accounts receivable - related parties, net	7	784,470	4	704,314	3
1200	Other receivables	6(5)	38,349	-	133,400	1
1210	Other receivables - related parties	7	11,578	-	6,318	-
130X	Inventories	6(6)	1,340,690	6	1,162,903	5
1470	Other current assets	6(10)	68,896	-	39,502	-
11XX	Total current assets		<u>7,543,845</u>	<u>34</u>	<u>7,556,538</u>	<u>34</u>
Non-current assets						
1510	Financial assets at fair value through profit or loss - non-current	6(2) and 8	2,029,009	9	1,778,245	8
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	53,243	-	59,826	-
1550	Investments accounted for using the equity method	6(7)	7,718,398	35	7,786,128	35
1600	Property, Plant, and Equipment	6(8)(12), 7, and 8	3,427,831	16	3,784,790	17
1755	Right-of-use assets	6(9)	22,474	-	3,240	-
1760	Investment properties, net	6(11), and 8	616,833	3	638,949	3
1780	Intangible assets		37,592	-	66,593	-
1840	Deferred income tax assets	6(29)	162,108	1	179,553	1
1900	Other non-current assets	6(10) (13) and 7	472,137	2	432,211	2
15XX	Total non-current assets		<u>14,539,625</u>	<u>66</u>	<u>14,729,535</u>	<u>66</u>
1XXX	Total assets		<u>\$ 22,083,470</u>	<u>100</u>	<u>\$ 22,286,073</u>	<u>100</u>

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CMC Magnetics Corporation
Parent Company Only Balance Sheets
December 31, 2022 and 2021

Liabilities and equity		Notes	December 31, 2022		December 31, 2021	
			Amount	%	Amount	%
Current liabilities						
2100	Short-term loans	6(14)	\$ 550,000	3	\$ 336,958	2
2110	Short-term notes and bills payable	6(15)	50,000	-	50,000	-
2120	Financial liabilities at fair value through profit or loss - current	6(16)	1,952	-	-	-
2130	Contract liabilities - current	6(23)	84,425	1	136,295	1
2150	Notes payable		45,974	-	69,079	1
2170	Accounts payable		285,951	1	469,869	2
2180	Accounts payable - related parties	7	2,201	-	3,158	-
2200	Other payables		165,995	1	288,512	1
2220	Other payables - related parties	7	299,535	1	37,655	-
2280	Lease liabilities - current		9,118	-	3,278	-
2320	Long-term liabilities due within one year or one operating cycle	6(17) and 8	1,525,000	7	725,000	3
2399	Other current liabilities - others		597	-	2,250	-
21XX	Total current liabilities		3,020,748	14	2,122,054	10
Non-current liabilities						
2540	Long-term loans	6(17) and 8	2,385,000	11	1,925,000	9
2570	Deferred income tax liabilities	6(29)	23,738	-	21,397	-
2580	Lease liabilities - non-current		62,119	-	-	-
2600	Other non-current liabilities	6(7)(18)	53,851	-	108,434	-
25XX	Total non-current liabilities		2,524,708	11	2,054,831	9
2XXX	Total liabilities		5,545,456	25	4,176,885	19
Equity						
	Capital stock	6(19)				
3110	Capital stock - common shares		10,893,483	49	11,588,812	52
	Capital surplus	6(20)				
3200	Capital surplus		6,714,779	31	6,830,667	30
	Retained earnings	6(21)				
3310	Legal reserve		47,735	-	32,476	-
3320	Special reserve		255,790	1	118,457	1
3350	Retained earnings (loss to be recovered)		(1,051,187)	(5)	152,592	1
	Other equity					
3400	Other equity	6(22)	(322,586)	(1)	(613,816)	(3)
3XXX	Total equity		16,538,014	75	18,109,188	81
Significant contingent liabilities and unrecognized contract commitments 6(17), 7 and 9						
3X2X	Total liabilities and equity		\$ 22,083,470	100	\$ 22,286,073	100

The notes attached are part of the Parent Company Only financial statements and shall be read together.

Chairman : Wong, Ming-Sen

Manager : Wong, Ming-Sen

Accounting Manager : Cheng, Kai-Ling

CMC Magnetics Corporation
Parent Company Only Statements of Comprehensive Income
For the Years Ended December 31, 2022 and 2021

		Unit: NT\$ thousands, except for earnings per share (loss)					
		2022		2021			
Item	Notes	Amount	%	Amount	%		
4000	Operating revenue	6(23) and 7	\$ 3,401,673	100	\$ 3,818,015	100	
5000	Operating costs	6(6)(18)(28) and 7	(2,861,639)	(84)	(3,291,574)	(86)	
5900	Gross profit		540,034	16	526,441	14	
5910	Unrealized sales gains		(114,343)	(3)	(104,992)	(3)	
5920	Realized gains on sale		104,992	3	108,828	3	
5950	Gross operating profit, net		530,683	16	530,277	14	
	Operating expenses	6(18)(28) and 7					
6100	Selling and marketing expenses		(218,435)	(6)	(182,905)	(5)	
6200	General and administrative expenses		(138,015)	(4)	(138,649)	(3)	
6300	Research and development expenses		(310,500)	(9)	(256,356)	(7)	
6450	Expected credit loss	12(2)	(20,566)	(1)	(24,416)	(1)	
6000	Total operating expenses		(687,516)	(20)	(602,326)	(16)	
6900	Operating losses		(156,833)	(4)	(72,049)	(2)	
	Non-operating income and expenses						
7100	Interest income	6(24) and 7	1,623	-	21,431	1	
7010	Other income	6(25) and 7	329,129	10	237,730	6	
7020	Other gains and losses	6(26)	(839,151)	(25)	457,356	12	
7050	Finance costs	6(27)	(54,838)	(2)	(45,939)	(1)	
7070	Share of profit (loss) on subsidiaries, associates, and joint ventures accounted for using equity method		(342,334)	(10)	(324,858)	(9)	
7000	Total non-operating income and expenses		(905,571)	(27)	345,720	9	
7900	Net income (loss) before tax		(1,062,404)	(31)	273,671	7	
7950	Income tax expense	6(29)	(15,352)	(1)	(112,485)	(3)	
8200	Net profit (loss)		(\$ 1,077,756)	(32)	\$ 161,186	4	
	Other comprehensive income (net)						
	Components that will not be reclassified to profit or loss						
8311	Gains (losses) on re-measurements of defined benefit plans	6(18)	\$ 22,170	1	\$ 11,035	-	
8316	Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	6(3)(22)	(6,258)	-	12,385	1	
8330	Share of other comprehensive income on subsidiaries, associates, and joint ventures accounted for using the equity method – not reclassified to profit or loss		(12,563)	(1)	(33,624)	(1)	
8349	Income tax related to components that will not be reclassified to profit or loss	6(29)	(4,434)	-	(2,207)	-	
8310	Sum of items that will not be reclassified to profit or loss		(1,085)	-	(12,411)	-	
	Sum of items that may be reclassified subsequently to profit or loss						
8361	Exchange differences on translation of financial statements of foreign operations	6(22)	317,645	10	(186,698)	(5)	
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(22)	1,239	-	(311)	-	
8360	Sum of items that may be reclassified subsequently to profit or loss		318,884	10	(187,009)	(5)	
8300	Other comprehensive income (net)		\$ 317,799	10	(\$ 199,420)	(5)	
8500	Total comprehensive income for current period		(\$ 759,957)	(22)	(\$ 38,234)	(1)	
	Earnings (loss) per share	6(30)					
9750	Basic and diluted earnings (loss) per share		(\$ 0.95)		\$ 0.14		

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 : Cheng, Kai-Ling

CMC Magnetics Corporation
Parent Company Only Statements of Changes in Equity
For the Years Ended December 31, 2022 and 2021

Unit: NT\$ thousands

	Notes	Capital stock - common shares	Capital surplus	Retained earnings			Other equity		Total
				Legal reserve	Special reserve	Unappropriated earnings (losses to be covered)	Exchange differences on translating the financial statements of foreign operations difference	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	
<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	6(22)	-	-	-	-	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(21)								
Legal reserve		-	-	11,097	-	(11,097)	-	-	-
Special reserve		-	-	-	118,457	(118,457)	-	-	-
Cash dividends appropriated from capital surplus	6(20)(21)	-	(811,217)	-	-	-	-	-	(811,217)
Changes in ownership interests in subsidiaries	6(20)	-	(1,070)	-	-	(16,857)	-	-	(17,927)
Difference between the equity price of subsidiary actually acquired or disposed of and the book value	6(20)	-	(9)	-	-	-	-	-	(9)
Disposal of equity instruments measured at fair value through other comprehensive income	6(3)(22)	-	-	-	-	(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
<u>2022</u>									
Balance as of January 1, 2022		\$11,588,812	\$ 6,830,667	\$ 32,476	\$ 118,457	\$ 152,592	(\$ 432,137)	(\$ 181,679)	\$ 18,109,188
Net loss		-	-	-	-	(1,077,756)	-	-	(1,077,756)
Other comprehensive income	6(22)	-	-	-	-	19,823	318,884	(20,908)	317,799
Total comprehensive income for current period		-	-	-	-	(1,057,933)	318,884	(20,908)	(759,957)
Appropriation of earnings for 2021:	6(21)								
Legal reserve		-	-	15,259	-	(15,259)	-	-	-
Special reserve		-	-	-	137,333	(137,333)	-	-	-
Cash reduction	6(19)	(695,329)	-	-	-	-	-	-	(695,329)
Cash dividends appropriated from capital surplus	6(20)(21)	-	(115,888)	-	-	-	-	-	(115,888)
Disposal of equity instruments measured at fair value through other comprehensive income	6(3)(22)	-	-	-	-	6,746	-	(6,746)	-
Balance as of December 31, 2022		\$10,893,483	\$ 6,714,779	\$ 47,735	\$ 255,790	(\$ 1,051,187)	(\$ 113,253)	(\$ 209,333)	\$ 16,538,014

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 : Cheng, Kai-Ling

CMC Magnetism Corporation
Parent Company Only Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

		Unit: NT\$ thousands	
	Notes	For the Year Ended December 31, 2022	For the Year Ended December 31, 2021
<u>Cash flows from operating activities</u>			
Net income (loss) before tax for the period		(\$ 1,062,404)	\$ 273,671
Adjustments			
Adjustments for			
Depreciation expenses	6(8)(9)(28)	378,660	420,365
Amortization expenses	6(28)	40,271	50,251
Depreciation expenses not for self-use (listed in other gains and losses)	6(8)(9)(11)(26)	27,163	33,934
Expected credit loss	12(2)	20,566	24,416
Net loss on financial assets and liabilities at fair value through profit or loss	6(2)(16)(26)	820,768	24,837
Interest expenses	6(27)	54,407	44,742
Interest income	6(24)	(1,623)	(21,431)
Dividend income	6(25)	(265,098)	(156,603)
Share of profit (loss) on subsidiaries, associates, and joint ventures accounted for using equity method		342,334	324,858
Gain on disposal of property, plant and equipment and other non-current assets	6(26)	(386)	(4,132)
Gain on disposal of non-current assets held for sale	6(8)(26)	-	(523,948)
Gain on sublease of right-of-use assets	6(10)(26)	(2,794)	-
Impairment loss on non-financial assets	6(8)(12)(26)	73,016	-
Realized gains between associates		(104,992)	(108,828)
Unrealized gains between associates		114,343	104,992
Changes in assets/liabilities related to operating activities			
Net changes in operating assets			
Financial assets mandatorily measured at fair value through profit or loss		(770,207)	(1,133,981)
Notes receivable (including related parties and non-related parties)		1,837	(1,826)
Accounts receivable (including related parties and non-related parties)		(22,087)	(104,017)
Other receivables (including related parties and non-related parties)		72,986	89,501
Inventories		(177,787)	(22,170)
Other current assets		(26,679)	7,617
Net change in operating liabilities			
Financial liabilities at fair value through profit or loss		(52,542)	(17,449)
Contract liabilities		(51,870)	83,122
Notes and accounts payable (including related parties and non-related parties)		(207,980)	112,863
Other payables (including related parties and non-related parties)		(105,924)	(123,334)
Other current liabilities		(1,653)	(12,777)
Net defined benefit liabilities		(11,882)	(29,189)
Cash outflow from operating activities		(919,557)	(664,516)
Interest received		1,593	21,431
Dividends received		265,208	156,541
Interest paid		(54,633)	(44,517)
Income tax paid		(84)	-
Net cash outflow from operating activities		(707,473)	(531,061)

(Continued on next page)

CMC Magnetism Corporation
Parent Company Only Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

Unit: NT\$ thousands

	Notes	For the Year Ended December 31, 2022	For the Year Ended December 31, 2021
<u>Cash flows from investing activities</u>			
Decrease in receivables for financing provided by related parties		\$ -	\$ 213,560
Decrease in finance lease receivables (listed as other current assets)		1,588	-
Disposal of financial assets at fair value through other comprehensive income.		325	-
Acquisition of investments accounted for using equity method		-	(257)
Proceeds from disposal of investments accounted for using the equity method		-	248
Price of acquisition of property, plant and equipment	6(31)	(514)	(1,300)
Proceeds from disposal of property, plant and equipment and other non-current assets		1,210	16,311
Acquisition of intangible assets	6(31)	(3,988)	(7,073)
Decrease in refundable deposits		74	82
Decrease (increase) in other non-current assets		283	(6,078)
Increase in prepayments for equipment (listed as other non-current assets)	6(31)	(88,423)	(100,441)
Proceeds from disposal of non-current assets held for sale	6(8)	-	818,849
Land value increment tax paid	6(29)	-	(76,854)
Net cash (outflow) inflow from investing activities		(89,445)	857,047
<u>Cash flows from financing activities</u>			
Increase in short-term loans	6(32)	213,042	226,617
Increase in short-term notes and bills payable	6(32)	-	50,000
Increase in payable from financing provided by related parties	7	248,870	27,655
Increase in long-term notes payable	6(32)	-	100,000
Long-term borrowings for current period	6(32)	3,600,000	3,350,000
Repayment of long-term borrowings for current period	6(32)	(2,340,000)	(2,930,000)
Repayment of principal of lease activities	6(9)(32)	(10,365)	(11,249)
Increase (decrease) in guarantee deposits received		(121)	358
Cash dividends appropriated from capital surplus	6(21)	(115,888)	(811,217)
Cash reduction	6(19)	(695,329)	-
Net cash inflow from financing activities		900,209	2,164
Increase in cash and cash equivalents for current period		103,291	328,150
Cash and cash equivalents, beginning of period		1,087,921	759,771
Cash and cash equivalents, end of the period		\$ 1,191,212	\$ 1,087,921

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 : Cheng, Kai-Ling

CMC Magnetics Corporation
Notes to Parent Company Only Financial Statements
For the Years Ended December 31, 2022 and 2021

Unit: NT\$ thousand
(Unless Specified Otherwise)

1. Company History

CMC Magnetics Corporation (hereinafter referred to as the "Company") was incorporated in the Republic of China. The main business items of the Company are the manufacturing and sale of consumer electronic products, including optical discs. The Company's shares have been listed on the Taiwan Stock Exchange for trading since February 17, 1992.

2. Date and Procedure for Approval of Financial Statements

This parent company only financial statements were approved by the Board of Directors on March 14, 2023.

3. Application of New and Amended Standards and Interpretations

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

The following table summarizes the newly issued, amended and revised standards and interpretations of IFRS as endorsed by the FSC that are applicable in 2022:

<u>New, Revised, and Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022
Amendments to IAS 16 "Property, Plant and Equipment – Proceeds before Intended Use"	January 1, 2022
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022
Annual Improvements to IFRSs 2018-2020 Cycle	January 1, 2022

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

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

The following table summarizes the newly issued, amended and revised standards and interpretations of IFRS as endorsed by the FSC that are applicable in 2023:

<u>New, Revised, and Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023

Except as those indicated below, the Company has assessed that the above standards and interpretations have no significant impact on the Company's financial position and financial performance:

Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

This amendment requires an enterprise to recognize the deferred income tax assets and liabilities related to specific transactions that are taxable and deductible for temporary differences of the same amount at the time of initial recognition.

The subsidiary of the Company recognizes all deductible and taxable temporary differences for the right-of-use assets and lease liabilities and their corresponding amount recognized for the period beginning on January 1, 2022 as deferred income tax assets and liabilities. On January 1 and December 31, 2022, the amount of investment by equity method that may be increased by the Company were NT\$2,783 and NT\$2,818 respectively, and the retained earnings are increased by NT\$2,783 and NT\$2,818 respectively. The increase in the profit or loss sharing from subsidiaries, associates and joint ventures in 2022 recognized under the equity method is NT\$35, which has no significant impact on the loss per share.

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

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

<u>New, Revised, and Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by the IASB
Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"	January 1, 2024
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17 "Initial application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

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

4. Summary of Significant Accounting Policies

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

a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

- 1) Except for the following significant items, the parent company only financial statements have been prepared on the historical cost basis:
 - a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - b) Financial assets at fair value through other comprehensive income.
 - c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- 2) The preparation of financial reports in conformity with the International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee (hereinafter referred to as IFRSs) as endorsed by the Financial Supervisory Commission (FSC) requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the accounting policies of the Company. The items involving a higher degree of judgment or complexity, or material assumptions and estimates involving the parent company only financial statements are disclosed in Note 5.

c. Foreign currency translation

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

- 1) Foreign currency transactions and balances
 - a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
 - b) Balances of monetary assets and liabilities denominated in foreign currencies are adjusted at the spot exchange rates prevailing at the balance sheet date. Exchange gains or losses arising from such adjustments are recognized in profit or loss
 - c) Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value through profit or loss, are translated at the exchange rates prevailing at the balance sheet date, where their translation differences are recognized in profit or loss as part of the fair value gain or loss. Non-monetary assets and liabilities denominated in foreign currencies measured at fair value through other comprehensive income are translated at the exchange rates prevailing at the balance sheet date, where their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated

in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the initial transaction dates.

- d) All foreign exchange profits or losses are presented in the statement of comprehensive income under the category of “Other Gains and Losses”.

2) Translation of foreign operations

- a) The operating results and financial positions of all the Group's entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of the period; and
 - iii. All resulting exchange differences are recognized in other comprehensive income.
- b) When the foreign entity partially disposed of or sold is an associate, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. However, when the Company retains partial interest in the associate, after losing significant influence over the former foreign associate, such a transaction shall be accounted for as disposal of all interests in the foreign operation.
- c) When the foreign operation that is partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interests of the foreign operation. However, if the Company still retains partial interests in the former foreign subsidiary after losing control of the former foreign subsidiary, such a transaction shall be accounted for as disposal of all interest in the foreign operation.

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

- 1) Assets that meet one of the following criteria are classified as current assets:
 - a) Assets that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.
 - b) Assets held primarily for the purpose of trading.
 - c) Assets that are expected to be realized within twelve months from the balance sheet date.
 - d) Cash or cash equivalents, excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date.

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

- 2) Liabilities that meet one of the following criteria are classified as current liabilities:
 - a) Liabilities that are expected to be settled within the normal operating cycle.
 - b) Assets held primarily for the purpose of trading.
 - c) Liabilities that are expected to be settled within 12 months after the balance sheet date.
 - d) Liabilities with a repayment deadline that cannot be unconditionally deferred for at least 12 months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments

do not affect its classification.

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

e. Cash equivalents

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

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

- 1) Financial assets that are not measured at amortized cost or at fair value through other comprehensive income (FVTOCI).
- 2) Regular way purchases and sales of financial assets at FVTPL are accounted for on the trade date.
- 3) The Company's initial recognition is on a fair value basis, with relevant transaction costs recognized in profit or loss, and subsequently to fair value, and gains or losses are recognized in profit or loss.
- 4) When the right to receive dividends is established, the future economic benefits related to dividends may flow to the Company, and when the amount of dividends can be reliably measured, the Company recognizes dividend income in profit or loss.

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

- 1) Refers to the irrevocable election made at initial recognition that allows the Group to present fair value changes of equity investment not held for trading in other comprehensive income; or debt investment that meets all the criteria simultaneously:
 - a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.
 - b) The contract terms of the financial asset generate cash flow on a specific date, which is entirely to pay for the interest on the principal and the amount of principal outstanding.
- 2) The Company's financial assets measured at FVTOCI in accordance with trading conventions, are accounted for on the trade date.
- 3) At initial recognition, the Company measures the financial assets at fair value plus transaction costs, and subsequently measures the financial assets at fair value:
 - a) Any changes in the fair value of equity instruments are recognized in other comprehensive income, while subsequently accrued benefits or losses previously recognized in other comprehensive income are not then reclassified to profit or loss, but are transferred to retained earnings. When the right to receive dividends is established, the future economic benefits related to dividends may flow to the Company, and when the amount of dividends can be reliably measured, the Company recognizes dividend income in profit or loss.
 - b) The changes in fair value of debt instruments are recognized in other comprehensive income. Before derecognition, impairment loss, interest revenue, and gain or loss on foreign exchange are recognized in profit or loss. Upon derecognition, the accumulated gains or losses previously recognized in other comprehensive income are reclassified from equity to profit or loss.

h. Financial assets at amortized cost

- 1) Financial assets at amortized cost are those that meet all of the following criteria:
 - a) The financial assets are held under a business model for the purpose of collecting contractual cash flows.
 - b) The contract terms of the financial asset generate cash flow on a specific date, which is entirely to pay for the interest on the principal and the amount of principal outstanding.
- 2) The Company accounts for financial assets measured at amortized cost, which are in line with trade practices on the trade day.
- 3) At initial recognition, the Company measures the financial assets at fair value plus transaction costs, and subsequently adopts the effective interest method to recognize said assets as interest revenue and as impairment loss during the outstanding period according to the amortization procedure. During derecognition, the gains or losses are recognized in the profit or loss.
- 4) The Company's time deposits which do not meet the condition of cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

i. Accounts receivable and notes receivable

- 1) Accounts receivable and notes receivable are accounts and notes of which the contractual right to consideration for goods sold or services rendered is unconditional.
- 2) These include interest-free short-term trade and notes receivables, where the effect of discounting is not material, and the Company measures the receivable by the original invoice amount.
- 3) The Company's operating pattern of accounts receivable that are expected to be factored is for the purpose of selling, and the accounts receivable are subsequently measured at fair value, with any changes in fair value, recognized in profit or loss.

j. Impairment of financial assets

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

k. Derecognition of financial assets

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

- 1) The contractual rights to receive the cash flows from the financial asset expire.
- 2) The contractual rights to receive cash flows of the financial asset have been transferred, and substantially all risks and rewards of ownership of the financial asset have been transferred.
- 3) The contractual rights to receive cash flows of the financial asset have been transferred; and the control over the financial asset has not been retained.

l. Lease transactions as a Lessor - lease receivable/operating lease

- 1) According to the terms of the lease, when almost all the risks and rewards of the ownership of the lease are borne by the lessee, it is classified as a finance lease.
 - a) At the beginning of the lease, it is recognized as "lease receivable" based on the total amount of the lease investment (including the original direct cost), and the difference between the total amount of the lease receivable and the present value is recognized as "unearned finance income of the finance lease".
 - b) The income of the finance lease are subsequently apportioned over the lease term on a systematic and reasonable basis to reflect the fixed rate of return on the net investment in a lease held by the lessor.
 - c) Lease payments (excluding service costs) related to the period shall offset the total gross investment in the lease to reduce the principal and unearned finance income.
- 2) Lease income from operating leases less any incentive given to the lessee during the lease term is recognized as current profit or loss by amortization according to the straight-line method.

m. Inventories

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

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

- 1) A subsidiary refers to an entity under the control of the Company. When the Company is exposed to variable returns from the participation in the entity or is entitled to said variable returns, and has the ability to affect such returns through its power over the entity, the Company controls the entity.
- 2) Unrealized gains and losses between the Company and its subsidiaries have been eliminated. The accounting policies of the subsidiaries have been adjusted as necessary and are consistent with the policies adopted by the Company.
- 3) The Company's share of profit or loss on subsidiaries after acquisition is recognized in profit or loss, whereas its share of other comprehensive income on subsidiaries after acquisition is recognized in other comprehensive income. When the share of loss from a subsidiary exceeds the Company's interests in that subsidiary, the Company continues to recognize the loss in proportion to its ownership percentage.
- 4) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, namely transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- 5) When the Company loses control over a subsidiary, the retained investment in such former subsidiary is remeasured, and the remeasurement is regarded as the fair value of a financial asset on initial recognition, or as the cost of an investment in an associate or

joint venture on initial recognition. The difference between fair value and carrying amount is recognized in profit or loss. For all amounts previously recognized in other comprehensive income related to said subsidiary, the accounting treatment is on the same basis as if the Group directly disposes of the relevant assets or liabilities, that is, the gains or losses previously recognized in other comprehensive income will be reclassified to profit or loss when the relevant assets or liabilities are disposed of, so when the control over the subsidiary is lost, the gains or losses will be reclassified from equity to profit or loss.

- 6) Associates are all entities over which the Company has significant influence without control. In general, it is an entity, in which at least 20% of its voting shares are directly or indirectly held by the Company. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- 7) The Company's share of profit or loss on its associates after acquisition is recognized in profit or loss, and its share of other comprehensive income after acquisition is recognized in other comprehensive income. When the Company's share of losses on an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- 8) When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes the change in ownership interests in the associate in "capital surplus" in proportion to its ownership.
- 9) Unrealized gains or losses on transactions between the Company and its associates are eliminated in proportion to the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associates have been adjusted as necessary, and are consistent with the policies adopted by the Company.
- 10) Where an associate issues new shares and the Company fails to subscribe for or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but still maintains significant influence on the associate, the "capital surplus" and "investments accounted for using the equity method" shall be adjusted for the increase or decrease in the net value of the equity. Where its investment proportion decreases, in addition to the adjustments above, the profit or loss previously recognized in other comprehensive income due to decrease in its ownership interest and the profit or loss to be reclassified to profit or loss during the disposal of assets or liabilities shall be reclassified to profit or loss based on the proportion of decrease.
- 11) Upon loss of significant influence over an associate, the Company shall remeasure the remaining investment retained in the former associate at its fair value. Any difference between the fair value and the carrying amount is recognized in profit or loss for the period.
- 12) When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of by the Company directly. That is, if the gains or losses previously recognized in other comprehensive income will be reclassified to profit or loss when the relevant assets or liabilities are disposed of, when the loss has a significant impact on the associate, the gains or losses are reclassified from equity to profit or loss. If it retains significant influence over this

associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

- 13) When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, said amounts are transferred to profit or loss in proportion to the percentage of disposal.
- 14) In accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the current profit or loss and other comprehensive income in the parent company only financial statements shall be the same as those attributable to the owners of the parent company in the financial statements prepared on a consolidated basis. The owners' equity in the parent company only financial statements shall be the same as the equity attributable to owners of the parent company in the financial statements prepared on a consolidated basis.

o. Property, plant and equipment

- 1) Property, plant, and equipment are initially recognized in cost. Borrowing costs incurred during the construction period are capitalized.
- 2) Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the part replaced shall be derecognized. All other amount of repairs and maintenance are recognized as profit or loss during the financial period in which they are incurred.
- 3) Except for land which is not depreciated, other property, plant, and equipment are subsequently measured using the cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If the components of property, plant and equipment are significant, they shall be separately depreciated.
- 4) The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8 "Accounting Policies, Changes in Accounting Estimates, and Errors," from the date of the change. Useful lives of property, plant and equipment are as follows:

Buildings and structures	2–50 years
Machinery and equipment	2–11 years
Others	2–5 years

p. Lease transactions as a Lessee—right-of-use assets / lease liabilities

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

payments are recognized as an expense on a straight-line basis over the lease term. The lease liability is measured at amortized cost using the effective interest method subsequently, and the interest expense is recognized during the lease period. When a non-contractual modification causes a change in the lease term or lease payment, the lease liability will be reassessed and remeasured to adjust the right-of-use asset.

- 3) The right-of-use asset is recognized at cost at the lease commencement date. The cost comprises:
- a) The originally measured amount of lease liabilities; and
 - b) Lease payments made at or before the commencement of the lease;
 - c) Any original direct costs incurred; and
 - d) The estimated cost of dismantling, removing an underlying asset, and restoring its location, or restoring the underlying asset to the state required in the terms and conditions of the lease.

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

q. Investment property

An investment property is recognized initially at cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 2–50 years.

r. Intangible assets

1) Trademarks and Patents

Trademarks and patents acquired separately are recognized at the cost of acquisition, and trademarks and patents acquired as a result of a business combination are recognized at fair value on the date of acquisition. Trademarks and patents are assets with a limited useful life, which are amortized by the straight-line method based on the remaining useful life of 4 to 10 years.

- 2) The royalties paid for obtaining the patents are amortized based on the estimated useful years or the contract period.
- 3) Computer software is recognized at the cost of acquisition and amortized by the straight-line method based on the estimated useful life of 1 to 2 years.

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

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

t. Impairment of non-financial assets

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

are decreased, the recognized impairment loss is reversed to the carrying amount of an asset to the extent that it does not exceed the carrying amount (net of depreciation and amortization) if the impairment loss had not been recognized.

- 2) Goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use shall be regularly estimated for their recoverable amounts. An impairment loss is recognized when the amount of an asset's carrying amount exceeds its recoverable amount. The impairment loss for impairment of goodwill will not be reversed in subsequent years.
- 3) Goodwill is allocated to cash-generating units for the purpose of impairment testing. This allocation is based on the judgment of the operating units, and the goodwill is allocated among cash-generating units or groups that are expected to benefit from goodwill generated from business entities.

u. Borrowings

- 1) Borrowings comprise long-term and short-term borrowings from banks. When the initial recognition of Company's borrowings is based on its fair value less transaction cost, for any subsequent difference between the price and redemption value after deducting transaction costs, interest expenses are recognized by the effective interest method during the outstanding period in profit or loss.
- 2) Fees paid on the establishment of borrowing facilities are recognized as transaction costs of the borrowing to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. When there is no evidence of the possibility that some or all the facility will be drawn down, the fee is recognized as a prepayment and amortized over the period of the facility to which it relates.

v. Accounts and notes payables

- 1) Accounts and notes payables refer to the debts incurred by purchase of raw materials, goods, or services on credit, and the notes payables incurred from both operating and non-operating activities.
- 2) The non-interest-bearing short-term notes and trade payables are measured at initial invoice amount as the effect of discounting is immaterial.

w. Derecognition of financial liabilities

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

x. Offsetting of financial assets and liabilities

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

y. Non-hedging derivatives

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

z. Employee benefits

1) Short-term employee benefits

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

2) Pension

a) Defined contribution plan

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

b) Defined benefit plans

- i. The net obligation under a defined benefit plan is calculated by discounting the amount of future benefits earned by employees for the services rendered in the current or the prior periods, and the amount recognized is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is computed by independent actuaries every year using the projected unit credit method. The discount rate employed is by reference either to the market yields on high quality corporate bonds of which the currency and duration are consistent with the currency and duration of the defined benefit plan, or to the market yields on government bonds (at the balance sheet date) in countries where there is no deep market for high quality corporate bonds.
- ii. The remeasurement amount generated by the defined benefit plan is recognized in other comprehensive income in the current period and presented in retained earnings.
- iii. Expenses related to past service costs are immediately recognized in profit or loss.

3) Termination benefits

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

4) Remuneration of employees and directors

Remuneration of employees and directors are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligations and those amounts can be reliably estimated. If the estimated amounts are different from the actual distributed amounts resolved subsequently, the differences shall be accounted for as changes in accounting estimates. If employee remuneration is paid in shares, the Group calculates the number of shares based on the closing price on the previous day of the resolution made by the board of directors.

aa. Income tax

- 1) The tax expense for the period comprises current and deferred income taxes. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- 2) The Company calculates the current income tax based on the tax rate enacted in laws or substantively enacted in laws at the balance sheet date in the country where the taxable income is generated and the operations occur. The management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. For the income tax levied on the unappropriated retained earnings in accordance with the Income Tax Act, it will be recognized as income tax for unappropriated retained earnings based on the actual distribution of earnings after the earnings distribution proposal is adopted at the shareholders' meeting in the year following the year in which said earnings are generated.
- 3) Deferred income tax is recognized, using the balance sheet liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. Deferred income tax liabilities from goodwill arising from initial recognition are not recognized. If the deferred income tax is derived from initial recognition of an asset or liability in a transaction (excluding business entities), and if the accounting profit or taxable income (taxable loss) is not affected at the time of the transaction, then the liabilities will not be recognized. With temporary differences caused by the investment in subsidiaries and associates, if the Company can control the timing of the reversal of the temporary differences, and it is probable that temporary differences will not be reversed in the foreseeable future, the liabilities will not be recognized. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the relevant deferred income tax asset is realized or the deferred income tax liability is settled.
- 4) Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are re-assessed.
- 5) Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis, or realize the asset and settle the liability, simultaneously.

bb. Share capital

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

cc. Dividend allocation

Dividends are recognized in the Company's financial statements in the period in which they

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

dd. Revenue recognition

Sales

- 1) The Company mainly manufactures and sells consumer electronic products, such as optical discs. Sales revenue is recognized when the control of the product is transferred to a customer, that is, when goods are delivered to the customer, the customer has the discretion to sell the goods and set the price, and the Company has no outstanding performance obligations that may affect the customers' acceptance of the goods. When goods are shipped to a designated location, the risk of obsolescence and lost has been transferred to the customer, and the customer is required to accept the goods in accordance with the sales contract, or when there is objective evidence that all acceptance criteria have been met, the goods are delivered.
- 2) The sales of the goods are recognized at the contract price, and the amount of sales recognized is limited to the part where it is highly likely that there will not be a major reversal in the future. The payment terms for sales are usually 30 to 180 days after the date of shipment. Because the time interval between the transfer of the promised goods or services to the customer and the customer's payment did not exceed one year, the Company did not adjust the transaction price to reflect the time value of money.
- 3) Trade receivable is recognized when goods are delivered to customers because at which time the Company's right to the consideration for contracts from customers is unconditional, except for the passage of time.

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

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

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

None.

b. Critical accounting estimates and assumptions

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

b) As of December 31, 2022, the carrying amount of the Company's property, plant and equipment was NT\$3,427,831.

2) Inventory valuation

a) As inventories are stated at the lower of cost and net realizable value, the Company must determine the net realizable value of inventories at balance sheet date based on judgments and estimates. With the rapid advancement of technology, the Company evaluates the amounts of normal inventory consumption, obsolescence, or inventories without market selling value at the balance sheet date, and writes down the cost of inventories to the net realizable value. This inventory valuation is mainly affected by the price volatility of raw materials and the products in the market, hence material changes may occur.

b) As of December 31, 2022, the carrying amount of the Company's inventory valuation was NT\$1,340,690.

6. Description of Significant Accounting Titles

a. Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and petty cash	\$ 271	\$ 342
Checks and demand deposits	1,160,941	1,057,579
Time deposit	30,000	30,000
	<u>\$ 1,191,212</u>	<u>\$ 1,087,921</u>

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

2) The Company has classified the cash and cash equivalents provided as loans to others to financial assets at amortized cost-current. Please refer to Note 8 for details.

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

<u>Items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Financial assets mandatorily at fair value through profit or loss		
Listed stocks	\$ 4,240,912	\$ 4,036,148
Derivative instruments	-	1,511
	<u>4,240,912</u>	<u>4,037,659</u>
Adjustment to valuation	<u>(531,183)</u>	<u>(81,099)</u>
	<u>\$ 3,709,729</u>	<u>\$ 3,956,560</u>
Non-current items:		
Financial assets mandatorily at fair value through profit or loss		
Listed stocks	\$ 2,107,000	\$ 1,770,819
Adjustment to valuation	<u>(77,991)</u>	<u>7,426</u>
	<u>\$ 2,029,009</u>	<u>\$ 1,778,245</u>

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

	<u>2022</u>	<u>2021</u>
Financial assets mandatorily at fair value through profit or loss		
Equity instruments	(\$ 776,391)	(\$ 16,620)
Derivative instruments	<u>6,213</u>	<u>9,232</u>
	<u>(\$ 770,178)</u>	<u>(\$ 7,388)</u>

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

December 31, 2022: None.

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

Forward exchange agreements

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

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

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

<u>Items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Non-current items:		
Equity instruments		
Unlisted stocks	\$ 5,880	\$ 5,920
Adjustment to valuation	<u>47,363</u>	<u>53,906</u>
	<u>\$ 53,243</u>	<u>\$ 59,826</u>

- 1) The Company has elected to classify the equity instrument investments that are strategic investments as financial assets measured at FVTOCI. The fair values of these investments as of December 31, 2022 and 2021 were NT\$53,243 and NT\$59,826, respectively.
- 2) The breakdown of financial assets at FVTOCI recognized in profit or loss and comprehensive income is as follows:

	<u>2022</u>	<u>2021</u>
<u>Equity instruments at FVTOCI</u>		
Changes in fair value recognized in other comprehensive income	(\$ 6,258)	\$ 12,385
Accumulated losses (gains) reclassified to retained earnings due to derecognition	(\$ 6,746)	\$ 1,642

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

d. Notes and accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable	\$ 233	\$ 2,070
Less: Allowance for loss	(3)	(21)
	<u>\$ 230</u>	<u>\$ 2,049</u>
Accounts receivable	\$ 418,372	\$ 524,774
Less: Allowance for loss	(22,081)	(63,603)
	<u>\$ 396,291</u>	<u>\$ 461,171</u>

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

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due	\$ 731,803	\$ 233	\$ 870,978	\$ 2,070
Overdue for less than 30 days	177,588	-	170,098	-
Overdue for 31–60 days	99,555	-	92,244	-
Overdue for 61–90 days	76,931	-	7,124	-
Overdue for 91–180 days	84,701	-	13,818	-
Overdue for more than 181 days	<u>33,267</u>	<u>-</u>	<u>74,917</u>	<u>-</u>
	<u>\$ 1,203,845</u>	<u>\$ 233</u>	<u>\$ 1,229,179</u>	<u>\$ 2,070</u>

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

- 2) The balances of accounts receivable and notes receivable (including related parties) as of December 31, 2022 and 2021 were all generated from customer contracts, and the balances of notes receivable and accounts receivable from customer contracts (including related parties) and allowance for loss as of January 1, 2021 were NT\$1,255,584 and NT\$99,817, respectively.
- 3) Without taking into account the collateral held or other credit enhancement, the maximum risk exposure to credit risk arising from the notes and accounts receivable (including related parties) of the Company as of December 31, 2022 and 2021 is the carrying amount.
- 4) The Company did not pledge notes and trade receivable as collateral.
- 5) Please refer to Note 12(2) for details of the information on the credit risk of trade and notes receivable.

e. Financial asset transfer

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

Unit: NT\$ thousands

December 31, 2022					
Factor	Amount of trade receivable in factoring	Amount derecognized	Amount of advance received	Amount of remaining advance available	Interest rate range of advance
Taipei Fubon Bank	USD 850	USD 850	USD -	USD 3,000	-

Unit: NT\$ thousands

December 31, 2021					
Factor	Amount of trade receivable in factoring	Amount derecognized	Amount of advance received	Amount of remaining advance available	Interest rate range of advance
Taipei Fubon Bank	USD 1,598	USD 1,598	USD -	USD 3,000	-

As of December 31, 2022 and 2021, the Company's retained amount in the accounts receivable transferred through factoring were NT\$26,122 and NT\$43,153, respectively, which have been reclassified to other receivables.

f. Inventories

	December 31, 2022	December 31, 2021
Raw materials	\$ 369,499	\$ 408,010
Work-in-progress	489	295
Finished goods	512,396	248,441
Merchandise inventory	456,105	456,654
Inventory in transit	2,201	49,503
	<u>\$ 1,340,690</u>	<u>\$ 1,162,903</u>

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

	2022	2021
Cost of inventories sold	\$ 2,785,415	\$ 3,279,345
Unamortized fixed production overheads	22,208	70,893
Loss on valuation (Gains on price recovery)	51,078	(61,911)
Others	2,938	3,247
	<u>\$ 2,861,639</u>	<u>\$ 3,291,574</u>

In 2021, the Company recognized the gains on price recovery due to the sale of inventories that had been recognized as losses on inventory valuation in the prior years.

g. Investments accounted for using the equity method

	December 31, 2022	December 31, 2021
CHC International Investment Corporation(CHC)	\$ 3,037,693	\$ 3,010,544
CMC Movie Corporation (CMC Movie)	119,790	121,891
CMC Entertainment Holding Corporation (CMC Entertainment)	58,664	61,566
Asia 1 Entertainment Co., Ltd. (Asia 1 Entertainment) (Note)	-	1,696
Sun Well Solar Corporation (Sun Well)	21,701	126,760
Sun Q Corporation Limited (Sun Q) (Note)	- (	20,412)
Transtouch Technology Inc. (Transtouch)	340,853	358,368
CMC Entertainment Hub Corporation (CMC Entertainment Hub)	54,370	74,856
EMC Investment Holding Ltd. (EMC H)	3,475,522	3,508,125
CIA Holding Corp.(CIA)	446,440	357,078
Deltamac (Taiwan) Co., Ltd. (Deltamac)	163,365	165,244
Add: Credit balance of long-term investment reclassified to other non-current liabilities	-	20,412
	<u>\$ 7,718,398</u>	<u>\$ 7,786,128</u>

Note: Since liquidation proceedings have been carried out in 2022, the Company no longer has control over it.

For information about the Company's subsidiaries, please refer to Note 4(3) to the Company's consolidated financial statements for year 2022.

h. Property, plant and equipment

2022							
	Land	Buildings and structures	Machinery and equipment			Others	Total
			For self-use	For leasing	Subtotal		
January 1							
Cost	\$ 1,927,785	\$ 1,948,872	\$ 11,208,218	\$ 1,728	\$ 11,209,946	\$ 14,427	\$ 15,101,030
Accumulated depreciation and impairment	-	(946,088)	(10,359,394)	(1,590)	(10,360,984)	(9,168)	(11,316,240)
	<u>\$ 1,927,785</u>	<u>\$ 1,002,784</u>	<u>\$ 848,824</u>	<u>\$ 138</u>	<u>\$ 848,962</u>	<u>\$ 5,259</u>	<u>\$ 3,784,790</u>
January 1	\$ 1,927,785	\$ 1,002,784	\$ 848,824	\$ 138	\$ 848,962	\$ 5,259	\$ 3,784,790
Disposal	-	-	(941)	-	(941)	-	(941)
Reclassification (Note 1)	-	12,469	73,701	(138)	73,563	5,111	91,143
Depreciation expenses	-	(49,547)	(319,775)	-	(319,775)	(4,823)	(374,145)
Impairment loss	-	-	(73,016)	-	(73,016)	-	(73,016)
December 31	<u>\$ 1,927,785</u>	<u>\$ 965,706</u>	<u>\$ 528,793</u>	<u>\$ -</u>	<u>\$ 528,793</u>	<u>\$ 5,547</u>	<u>\$ 3,427,831</u>
December 31							
Cost	\$ 1,927,785	\$ 1,951,646	\$ 10,395,580	\$ -	\$ 10,395,580	\$ 13,376	\$ 14,288,387
Accumulated depreciation and impairment	-	(985,940)	(9,866,787)	-	(9,866,787)	(7,829)	(10,860,556)
	<u>\$ 1,927,785</u>	<u>\$ 965,706</u>	<u>\$ 528,793</u>	<u>\$ -</u>	<u>\$ 528,793</u>	<u>\$ 5,547</u>	<u>\$ 3,427,831</u>

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

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

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

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

	<u>2022</u>	<u>2021</u>
Capitalized amount	<u>\$ 165</u>	<u>\$ 201</u>
Range of capitalized interest rate	1.25%	1.44%

- 2) Please refer to Note 6(12) for details of the impairment of property, plant and equipment.
- 3) For information about the Company's pledging of property, plant and equipment as collateral, please refer to Note 8 for details.

i. Lease transaction - Lessee

- 1) The underlying assets leased by the Company include land and buildings. The lease term contracted is usually for a period of 1 to 9 years. The lease contracts are negotiated separately and contain various terms and conditions. Except that the leased asset cannot be used as collateral for loans, no other restrictions are imposed.
- 2) The lease term of part of the land and buildings leased by the Group does not exceed 12 months, and the low-value assets leased are mostly multi-function printers, so they are not included in the right-of-use assets.
- 3) The carrying amount of right-of-use assets and depreciation expenses recognized are shown as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 1,292	\$ 1,297
Property	<u>21,182</u>	<u>1,943</u>
	<u>\$ 22,474</u>	<u>\$ 3,240</u>

	<u>2022</u>			<u>2021</u>		
	<u>Depreciation expenses</u>			<u>Depreciation expenses</u>		
	<u>For self-use</u>	<u>For leasing</u>	<u>Total</u>	<u>For self-use</u>	<u>For leasing</u>	<u>Total</u>
Land	\$ 2,589	\$ -	\$ 2,589	\$ 2,587	\$ -	\$ 2,587
Property	<u>1,926</u>	<u>4,867</u>	<u>6,793</u>	<u>833</u>	<u>7,774</u>	<u>8,607</u>
	<u>\$ 4,515</u>	<u>\$ 4,867</u>	<u>\$ 9,382</u>	<u>\$ 3,420</u>	<u>\$ 7,774</u>	<u>\$ 11,194</u>

- 4) The increase in the Company's right-of-use assets in 2022 and 2021 were NT\$78,324 and NT\$2,593, respectively.

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

	<u>2022</u>	<u>2021</u>
<u>Items that affect profit or loss</u>		
Interest expenses on lease liabilities	\$ 746	\$ 129
Short-term lease expenses	2,241	2,499
Revenue from sublease of right-of-use assets	7,648	8,353

6) The Company's total cash outflow of leases in 2022 and 2021 were NT\$13,352 and NT\$13,877, respectively.

j. Lease transaction - Lessor

- 1) The underlying assets leased out by the Company include land and buildings. The lease term contracted is usually for a period of 8 to 9 years. The lease contracts are negotiated individually and contain various different terms and conditions.
- 2) In 2022, the Company leased out land and buildings under finance leases. According to the terms of the lease contracts, the lease term covers the main part of the economic life of the underlying assets. There was no such situation in 2021. The profit and loss items related to lease contracts are shown as follows:

	<u>2022</u>
Gains on sublease of right-of-use assets (listed in other gains and losses)	\$ 2,794
Finance lease income from net investment in a lease (listed in interest revenue)	172

3) The analysis of the maturity date of the undiscounted lease benefits of the Company leased out under finance lease is as follows:

	<u>December 31, 2022</u>
2023	\$ 6,348
2024	6,348
2025	6,348
2026	6,698
2027	6,768
2028 onwards	<u>21,432</u>
	<u>\$ 53,942</u>

- 4) The reconciliation information of undiscounted lease benefits and net investment in a lease leased out by the Company under finance leases (listed in other current and non-current assets) is as follows:

	December 31, 2022	
	Current	Non-current
Undiscounted lease benefits	\$ 6,348	\$ 47,594
Unearned finance lease income	(642)	(2,214)
Net investment in a lease	<u>\$ 5,706</u>	<u>\$ 45,380</u>

The Company's net finance lease investment increased significantly by NT\$51,086, mainly due to the increased demand for the underlying assets by the lessee.

- 5) The Company recognized lease revenue of NT\$56,195 and NT\$60,377 based on operating lease contracts in 2022 and 2021 respectively, of which there was no variable lease payment.
- 6) The analysis of the maturity date of the lease payments to be paid to the Company under operating lease is as follows:

	December 31, 2022	December 31, 2021
Less than 1 year	\$ 32,915	\$ 55,791
2-5 years	102,788	110,651
Over 6 years	12,259	36,778
	<u>\$ 147,962</u>	<u>\$ 203,220</u>

k. Investment property

	2022		
	Land	Buildings and structures	Total
January 1			
Cost	\$ 63,362	\$ 1,247,313	\$ 1,310,675
Accumulated depreciation and impairment	-	(671,726)	(671,726)
	<u>\$ 63,362</u>	<u>\$ 575,587</u>	<u>\$ 638,949</u>
January 1			
Reclassification (Note 1)	-	180	180
Depreciation expenses	-	(22,296)	(22,296)
December 31	<u>\$ 63,362</u>	<u>\$ 553,471</u>	<u>\$ 616,833</u>
December 31			
Cost	\$ 63,362	\$ 1,245,268	\$ 1,308,630
Accumulated depreciation and impairment	-	(691,797)	(691,797)
	<u>\$ 63,362</u>	<u>\$ 553,471</u>	<u>\$ 616,833</u>

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

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

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

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

	2022	2021
Rental revenue of investment property	<u>\$ 48,416</u>	<u>\$ 47,567</u>
Direct operating expenses incurred by investment property generating rental revenue in the current period	<u>\$ 12,409</u>	<u>\$ 11,779</u>
Direct operating expenses incurred by investment property not generating rent revenue in current period	<u>\$ 9,887</u>	<u>\$ 13,940</u>

- 2) The fair value of the investment property held by the Company as of December 31, 2022 and 2021 were NT\$4,446,449 and NT\$3,731,999, respectively, based on the valuation results of transaction prices in the neighborhood to which could be referred.
- 3) For information on the investment property pledged as collateral, please refer to Note 8 for details.

l. Impairment of non-financial assets

- 1) The impairment losses recognized by the Company in 2022 and 2021 were NT\$73,016 and NT\$0, respectively, the details are as follows:

	<u>2022</u>		<u>2021</u>	
	Recognized in the current profit or loss	Recognized in other comprehensive income	Recognized in the current profit or loss	Recognized in other comprehensive income
Impairment Loss - Machinery and equipment	<u>\$ 73,016</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

- 2) As of December 31, 2022 and 2021, the value in use and the net disposal value of existing assets were used by the Company as the recoverable amount for the impairment test, and the discount rate for the estimated value in use is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Machinery and equipment	6.57%	10.06%

- 3) Accumulated write-off of impairments

	<u>2022</u>	<u>2021</u>
Machinery and equipment	<u>\$ 1,663</u>	<u>\$ 18,122</u>

When the Company disposed of machinery and equipment in 2022 and 2021, the relevant accumulated impairments were also written off in order to calculate the gains or losses on the disposal.

m. Other non-current assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Prepayments for equipment	\$ 6,432	\$ 13,370
Refundable deposits	4,897	4,971
Net finance lease receivable	45,380	-
Overdue receivables	139,437	109,031
Less: Allowance for loss	(139,437)	(109,031)
Other non-current assets - others	<u>415,428</u>	<u>413,870</u>
	<u>\$ 472,137</u>	<u>\$ 432,211</u>

n. Short-term borrowings

<u>Nature of borrowings</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Borrowings from financial Institutions		
Credit borrowings	<u>\$ 550,000</u>	<u>\$ 336,958</u>
Interest rate range	2.03~2.09%	1.05~1.47%

Commercial papers of NT\$1,820,075 and NT\$1,764,515 have been issued as guarantees for the short-term borrowing facilities as of December 31, 2022 and 2021 respectively.

o. Short-term notes payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Commercial paper payable	<u>\$ 50,000</u>	<u>\$ 50,000</u>
Interest Rate	2.20%	1.12%

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

p. Financial liabilities at fair value through profit or loss

<u>Items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Financial liabilities held for trade		
Non-hedging derivative financial instruments		
- Derivatives instruments	<u>\$ 1,952</u>	<u>\$ -</u>

- 1) The Company's net loss on financial liabilities held for trading in 2022 and 2021 were NT\$50,590 and NT\$17,449, respectively.

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

<u>Derivative financial liabilities</u>	<u>December 31, 2022</u>	
	<u>Contract amount (notional principal)</u>	<u>Contract period</u>
Current items:		
Forward exchange agreements	JPY100,000 thousand	2022.12.01~2023.03.31
"	CNY6,997 thousand	2022.12.01~2023.03.31
"	CNY7,189 thousand	2022.11.04~2023.05.08
"	CNY7,094 thousand	2022.11.11~2023.05.15
"	CNY7,018 thousand	2022.12.01~2023.05.31
"	US\$1,000 thousand	2022.12.23~2023.03.01
"	US\$1,000 thousand	2022.11.18~2023.01.18
"	US\$1,390 thousand	2022.11.25~2023.01.18
"	US\$1,000 thousand	2022.12.05~2023.01.18
"	US \$1,370 thousand	2022.12.06~2023.02.17
Foreign Exchange Contracts	US\$1,600 thousand	2022.11.23~2023.02.24
"	US\$1,700 thousand	2022.11.29~2023.03.01
"	US\$1,000 thousand	2022.10.21~2023.01.18
"	US\$1,500 thousand	2022.12.12~2023.03.13

December 31, 2021: None.

Forward exchange agreements

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

Foreign Exchange Contracts

The foreign exchange transaction contracted by the Company is an exchange transaction between two currencies, which is to effectively manage the time difference between the needs for different currencies and reduce the exchange rate and interest rate risk, but it is not applicable to hedge accounting.

q. Long-term borrowings

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Borrowings from financial Institutions		
Secured borrowings	\$ 3,305,000	\$ 2,000,000
Credit borrowings	325,000	350,000
Long-term notes	280,000	300,000
	<u>3,910,000</u>	<u>2,650,000</u>
Less: Long-term loans due within one year or one operating cycle	(1,525,000)	(725,000)
	<u>\$ 2,385,000</u>	<u>\$ 1,925,000</u>
Interest rate range	1.87~2.5%	1.15~1.50%

- 1) The Company signed a financing commitment contract with O-Bank Co., Ltd. in May 2021. In 24 months from the date of the first drawdown, the total amount of borrowings is NT\$200 million. Subsequently, the Company signed a new financing commitment contract with O-Bank Co., Ltd. in June 2022. In 24 months from the date of first drawdown, the total amount of borrowings is NT\$300 million. The Company's main commitments are as follows:

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

The outstanding balance of the Company's borrowings as of December 31, 2022 and 2021 were NT\$300,000 and NT\$200,000, respectively.

As the Company did not meet the aforesaid agreed terms as of December 31, 2022, the relevant balance amounting to NT\$580,000 (including long-term notes borrowed from O-Bank Co., Ltd.) has been reclassified to current liabilities.

- 2) The Company signed a financing commitment contract with Taipei Fubon Bank in April 2021. In 36 months from the date of the first drawdown, the total amount of borrowing is NT\$1 billion. The Company's main commitments are as follows:

During the contract period, the current ratio shall be maintained at 100% or more; the debt ratio shall not be higher than 90% (inclusive); the net value of tangible assets shall not be lower than NT\$12 billion; the total of cash, financial assets measured at fair value through profit or loss (current) and financial assets measured at amortized cost (current) less financial liabilities shall not be less than NT\$2 billion (any restricted financial assets or current assets in the aforementioned items shall be deducted).

The outstanding balance of the Company's borrowings as of December 31, 2022 and December 31, 2021 were NT\$920,000 and NT\$650,000, respectively.

- 3) The remaining borrowings shall be repaid by installment from 2021 to 2025.
- 4) Please refer to Note 8 for details of the guarantees for long-term borrowings.
- 5) The Company's amounts of loans not drawn down as of December 31, 2022 and 2021 were taken out at floating interest rate. The details are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Due within one year	\$ 120,000	\$ -
Due in more than one year	<u>135,000</u>	<u>1,420,000</u>
	<u>\$ 255,000</u>	<u>\$ 1,420,000</u>

r. Pension

- 1)
 - a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, applicable to all formal employees who were employed prior to the enforcement of the Labor Pension Act on July 1, 2005 and to the formal employees who still chose the pension mechanism under the Labor Standards Act after the Labor Pension Act took effect. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each

additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company sets aside 2% of the employee's total salary each month as pension funds and deposit it to the designated account under the name of the Labor Pension Funds Supervisory Committee at the Bank of Taiwan. Before the end of each year, the Company assesses the balance in the designated account. If the total available amount of the contribution is less than the amount required for the payment of pensions to all the employees who are eligible to retire in the following year, calculated according to the above method, the Company will make up for the difference in a lump sum before the end of March in the following year.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	\$ 192,517	\$ 213,753
Fair value of plan assets	(144,951)	(132,137)
Net defined benefit liabilities (listed in other non-current liabilities)	<u>\$ 47,566</u>	<u>\$ 81,616</u>

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
2022			
Balance at January 1	\$ 213,753	(\$ 132,137)	\$ 81,616
Service cost for the current period	424	-	424
Interest expense (revenue)	<u>1,496</u>	<u>(925)</u>	<u>571</u>
	<u>215,673</u>	<u>(133,062)</u>	<u>82,611</u>
Re-measurements:			
Return on plan assets (not including interest revenue or expenses)	-	(9,852)	(9,852)
The effect of changes in financial assumptions	(6,786)	-	(6,786)
Experience adjustments	<u>(5,532)</u>	<u>-</u>	<u>(5,532)</u>
	<u>(12,318)</u>	<u>(9,852)</u>	<u>(22,170)</u>
Pension contributed	-	(12,875)	(12,875)
Pension paid	<u>(10,838)</u>	<u>10,838</u>	<u>-</u>
Balance, December 31	<u>\$ 192,517</u>	<u>(\$ 144,951)</u>	<u>\$ 47,566</u>

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

- d) The Bank of Taiwan was commissioned to manage the assets of the Company's defined benefit plan fund in accordance with the scope of the percentages and amounts in the annual investment and utilization plan of the fund and the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund (Article 6: The scope of utilization for the fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or privately placed equity securities, investment in domestic or foreign real estate securitization products, etc.). The status of the utilization is supervised by the Labor Pension Funds Supervisory Committee. With regard to utilization of the Fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. In case any inadequacy in the earnings arises, Treasury Funds can be used to cover the deficits after the approval of the competent authority. The Company has no right to participate in managing and operating the Fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with paragraph 142, IAS 19. For the composition of the fair value of the fund in total as of the years ended December 31, 2022 and 2021, please refer to the various labor pension utilization reports issued by the government.
- e) The actuarial assumptions related to pension are summarized as follows:

	2022	2021
Discount rate	<u>1.2%</u>	<u>0.7%</u>
Rate of future salary increase	<u>2%</u>	<u>2%</u>

The assumptions for future mortality are based on the 6th Standard Ordinary Experience Mortality Table used in the life insurance industry in Taiwan.

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

	<u>Discount rate</u>		<u>Rate of future salary increase</u>	
	<u>Increase by 0.25%</u>	<u>Decrease by 0.25 %</u>	<u>Increase by 0.25 %</u>	<u>Decrease by 0.25%</u>
December 31, 2022				
The effects on the present value of defined benefit obligations	<u>(\$ 3,252)</u>	<u>\$ 3,345</u>	<u>\$ 2,831</u>	<u>(\$ 2,770)</u>
December 31, 2021				
The effects on the present value of defined benefit obligations	<u>(\$ 4,002)</u>	<u>\$ 4,126</u>	<u>\$ 3,530</u>	<u>(\$ 3,446)</u>

With other assumptions unchanged, the sensitivity analysis above analyzes the effects of changes in a single assumption. In practice, many changes in assumptions may be linked together. The sensitivity analysis is consistent with the method used to calculate the net pension liabilities of the balance sheet. The method and assumptions used for the preparation of the sensitivity analysis for the current period are the same as those used in the previous period.

- f) The Company expects to make a contribution of NT\$11,420 to the pension plans for the year 2023.
- g) As of December 31, 2022, the weighted average duration of the pension plan is 7 years. The maturity analysis of the pension payments is as follows:

Less than 1 year	\$ 13,101
2-5 years	86,123
Over 6 years	<u>57,635</u>
	<u>\$ 156,859</u>

2)

- a) Since July 1, 2005, the Company has established a defined contribution pension plan under the Labor Pension Act, applicable to all formal employees with R.O.C nationality. For employees who choose the labor pension system stipulated under the Labor Pension Act, the Company makes monthly contributions to employees' individual pension accounts of the Bureau of Labor Insurance at 6% of their monthly salaries and wages. Based on the employee's individual pension accounts and the amount of accumulated income from the annual investment and utilization plan, the payment of employee pension is made on a monthly basis or in a lump sum.
- b) In 2022 and 2021, the pension costs recognized by the Company according to the above-mentioned pension methods were NT\$17,032 and NT\$17,063, respectively.

s. Share capital

- 1) As of December 31, 2022, the Company's registered capital was NT\$45,000,000, divided into 4,500,000,000 shares, and the paid-in capital was NT\$10,893,483, with a par value of NT\$10 per share. Share payments for the Company's issued shares have been collected in full. The number of ordinary shares outstanding at the beginning and end of the period of the Company is adjusted as follows (unit: shares):

	<u>2022</u>	<u>2021</u>
January 1	1,158,881,200	1,158,881,200
Cash reduction	(69,532,872)	-
December 31	<u>1,089,348,328</u>	<u>1,158,881,200</u>

- 2) On June 17, 2022, the shareholders' meeting resolved that in order to improve the return on equity of shareholders and optimize the capital structure, the Company proposed a cash capital reduction of NT\$695,329 and the cancellation of 69,532,872 ordinary shares. The cash reduction ratio is 6%. Each thousand shares shall be exchanged for 940 new shares (that is, 60 shares will be written off per thousand shares). NT\$0.6 per share will be refunded. The reference date for capital reduction was August 12, 2022, and the refund for capital reduction was completed on October 28, 2022.

t. Capital surplus

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

2022					
	Share premium	Treasury share transactions	Difference between the equity price of subsidiary actually acquired or disposed of and the book value	Others	Total
January 1	\$ 1,814,331	\$ 5,014,346	\$ 68	\$ 1,922	\$ 6,830,667
Cash dividends appropriated from capital surplus	(115,888)	-	-	-	(115,888)
December 31	<u>\$ 1,698,443</u>	<u>\$ 5,014,346</u>	<u>\$ 68</u>	<u>\$ 1,922</u>	<u>\$ 6,714,779</u>

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

u. Retained earnings (loss to be recovered)

- 1) According to the Company's Articles of Incorporation, if there are earnings in the annual final accounts, the Company shall pay taxes first and compensate the accumulated losses; appropriate 10% of the balance for legal reserve, but this does not apply when the legal reserve has reached the amount of the Company's total capital. Subsequently, the Company shall make an appropriation for or reverse the special reserve in accordance with the law. Then, if there are still earnings, together with the undistributed earnings accumulated from the beginning of the same period, the board of directors shall put forth an earnings distribution proposal for the resolution by the shareholders' meeting before distribution. The Company's dividend policy is based on the consideration for capital expenditures and the Company's long-term financial planning. The total dividend shall not less be than 10% of the current year's distributable earnings. However, if the distributable earnings is less than 1% of the paid-in capital, dividend may not need to be distributed. When the dividend is distributed, the cash dividends shall not be less than 10% of the total dividends.
- 2) The legal reserve shall not be used except for compensation for the Company's losses and issue of new shares or cash in proportion to the shareholders' original shares. However, in the case of issue of new shares or cash, it shall be limited to the portion of the legal reserve in excess of 25% of the paid-in capital.
- 3) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount may be included in the distributable earnings.
- 4)
 - a) The Company passed the proposal for 2021 and 2020 earnings distribution as resolved by the shareholders' meeting on June 17, 2022 and July 23, 2021 as follows:

	2021		2020	
	Amount	Earnings per share (NT\$)	Amount	Earnings per share (NT\$)
Legal reserve		\$ -		\$ -
appropriation	\$ 15,259		\$ 11,097	
Special reserve	137,333	-	118,457	-
	<u>\$152,592</u>		<u>\$129,554</u>	

- b) On June 17, 2022, the Company passed a proposal to distribute a cash dividend of NT\$115,888 with NT\$0.1 per share from the capital surplus from paid-in capital in excess of par value as resolved by the shareholders' meeting.
- c) On July 23, 2021, the Company passed a proposal to distribute a cash dividend of NT\$811,217 with NT\$0.7 per share from the capital surplus from paid-in capital in excess of par value as resolved by the shareholders' meeting.

There is no difference between the aforesaid distribution of earnings for 2021 and 2020 and the proposal of the Board of Directors.

- 5) As of December 31, 2022, the Company had no earnings available for distribution.
- 6) Please visit the Market Observatory Post System (MOPS) of the Taiwan Stock Exchange for information on the distribution of earnings approved by the board of directors and

resolved by the shareholders' meeting.

v. Other equity items

	2022		
	Foreign currency	Unrealized	
	translation	valuation gains and	Total
		losses	
January 1	(\$ 432,137)	(\$ 181,679)	(\$ 613,816)
Adjustment to valuation:			
- Parent company	-	(6,258)	(6,258)
- Subsidiaries and associates	-	(14,650)	(14,650)
Reclassified from valuation	-	(6,746)	(6,746)
adjustment to retained earnings			
Foreign currency translation difference:			
- Parent company	317,645	-	317,645
- Subsidiaries and associates	1,239	-	1,239
December 31	(\$ 113,253)	(\$ 209,333)	(\$ 322,586)

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

w. Operating revenue

	2022	2021
Revenue from customer contracts	\$ 3,401,673	\$ 3,818,015

1) Breakdown of revenue from customer contracts

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

	2022		
	Storage media	Others	Total
Timing of revenue recognition			
Revenue recognized at a specific timing	<u>\$ 3,303,630</u>	<u>\$ 98,043</u>	<u>\$ 3,401,673</u>
	2021		
	Storage media	Others	Total
Timing of revenue recognition			
Revenue recognized at a specific timing	<u>\$ 3,730,898</u>	<u>\$ 87,117</u>	<u>\$ 3,818,015</u>

2) Contract liabilities

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Product sales contracts	<u>\$ 84,425</u>	<u>\$ 136,295</u>	<u>\$ 53,173</u>

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

	<u>2022</u>	<u>2021</u>
Opening balance of contract liabilities recognized as income for the period		
Product sales contracts	<u>\$ 133,485</u>	<u>\$ 45,068</u>

x. Interest revenue

	<u>2022</u>	<u>2021</u>
Interests on bank deposits	\$ 1,436	\$ 389
Interest revenue from financial assets at amortized cost - interest revenue	15	8
Other (Please refer to Note 6(10) and Note 7(2)8(1))	172	21,034
	<u>\$ 1,623</u>	<u>\$ 21,431</u>

y. Other income

	<u>2022</u>	<u>2021</u>
Rental income	\$ 56,195	\$ 60,377
Dividend income	265,098	156,603
Other income	<u>7,836</u>	<u>20,750</u>
	<u>\$ 329,129</u>	<u>\$ 237,730</u>

z. Other gains and losses

	<u>2022</u>	<u>2021</u>
Net losses on the financial assets at FVTPL	(\$ 770,178)	(\$ 7,388)
Net loss on financial liabilities at FVTPL	(50,590)	(17,449)
Net foreign currency exchange gains (losses)	90,131	(6,613)
Gains on disposal of property, plant and equipment and other non-current assets	386	4,132
Gains on disposal of non-current assets held for sale	-	523,948
Non-financial asset impairment losses	(73,016)	-
Depreciation expenses not for self-use (Note)	(27,163)	(33,934)
Gain on sublease of right-of-use assets	2,794	-
Other expenditures	<u>(11,515)</u>	<u>(5,340)</u>
	<u>(\$ 839,151)</u>	<u>\$ 457,356</u>

Note: Refers to the depreciation expenses of investment property, sublease of right-of-use assets and equipment for lease.

aa. Finance costs

	<u>2022</u>	<u>2021</u>
Interest expenses:		
Bank borrowings	\$ 53,780	\$ 44,766
Others	792	177
Borrowing facility management expense	<u>431</u>	<u>1,197</u>
	55,003	46,140
Less: Amount qualified for capitalization	<u>(165)</u>	<u>(201)</u>
	<u>\$ 54,838</u>	<u>\$ 45,939</u>

bb. Employee benefit, depreciation, and amortization expenses

In 2022 and 2021, the employee welfare, depreciation and amortization expenses incurred by the Company are summarized as follows by function:

Function Nature	2022		
	Operating costs	Operating expenses	Total
Employee benefit expenses			
Salaries and wages	\$ 347,847	\$ 92,830	\$ 440,677
Labor and health insurance premiums	36,621	10,380	47,001
Pension expenses	13,349	4,678	18,027
Directors' Remuneration	-	1,330	1,330
Other personnel expenses	6,543	2,846	9,389
Depreciation expenses	288,807	89,853	378,660
Amortization expenses	4,943	35,328	40,271

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

- 1) According to the Company's Articles of Incorporation, if the Company makes a profit at the end of the year, at least 1% of the balance shall be allocated for employee compensation and no more than 1.5% for the remuneration of directors. However, when the Company still has accumulated losses, it shall reserve an amount to compensate the losses.
- 2) The Company still has an accumulated losses in 2022, hence it is not necessary to estimate the compensation of employees and the remuneration of directors.
- 3) Based on the profitability of the year, the compensation of employees and the remuneration of directors of the Company for 2021 were estimated at 1.08% and 0.57% respectively. The estimated amount of compensation of employees and remuneration of directors were NT\$3,000 and NT\$1,600, respectively. The aforementioned amounts were accounted for in salaries and wages and were paid in cash.

The amounts of the compensation of employees and remuneration of directors for the 2021 as approved by the Board of Directors were the same as the amounts recognized

- in the 2021 financial statements, which were NT\$3,000 and NT\$1,600, respectively.
- 4) The information on employee compensation and the remuneration of directors approved by the board of directors of the Company is available on the MOPS.
 - 5) The Company's number of employees was 705 and 722, respectively as of the end of 2022 and 2021, and the number of directors who did not serve as employees in 2022 and 2021 was 6 and 7, respectively.
 - 6) The Company's stock has been listed on the Taiwan Stock Exchange, so the following information is additionally disclosed:
 - a) The average employee benefit expenses for 2022 and 2021 were NT\$737 and NT\$721, respectively.
 - b) The average employee salaries and wages for 2022 and 2021 were NT\$630 and NT\$618, respectively.
 - c) The average employee salary adjustment is 1.9%.
 - d) In 2022 and 2021, the company set up an audit committee, so there was no remuneration for supervisors.
 - e) The Company's salary and remuneration policy:

Directors and managers:

 - i. A remuneration committee is set up to effectively measure the overall salary and remuneration of the Company's directors and managers.
 - ii. The manager's salary consists of a fixed salary and employee compensation, in which the salary is based on industry standards as well as title, position, rank, education (experience), professional ability and responsibilities.

Employee:

 - i. The overall salary and remuneration level of employees is based on external competitiveness and internal fairness with the aim of effectively attracting and retaining talents.
 - ii. Employee salary and remuneration is linked with the performance management system to motivate employees to develop, and drive the Company's positive development.
 - iii. The Company's long-term and short-term goals, individual dedication time, positions held, and overall work performance are connected to motivate employees.

cc. Income tax

- 1) Income tax expense
 - a) Components of income tax expense:

	2022	2021
Current income tax:		
Income tax incurred in current period	\$ -	\$ 76,854
Income tax overestimates for prior years	-	(430)
Total current income tax	-	76,424
Deferred income tax:		
Initial recognition and reversal of temporary differences	15,352	36,061
Income tax expense	\$ 15,352	\$ 112,485

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

	2022	2021
Remeasurement of defined benefit obligations (\$	4,434)	(\$ 2,207)

2) Reconciliation between income tax expense and accounting profit

	2022	2021
Net (loss) income before tax calculated at the statutory tax rate (\$	212,481)	\$ 54,734
Items which cannot be recognized under tax laws	6,943	1,558
Items exempt from taxation according to tax law (	8,110)	(148,527)
Unrealized gains or losses on financial assets that are not taxable	107,100	4,028
Temporary differences not recognized in deferred income tax assets	68,467	58,659
Taxable loss not recognized in deferred income tax assets	29,162	45,926
Change in realizability evaluation of deferred income tax liabilities	24,271	19,683
Income tax overestimates/underestimates for prior years	-	(430)
Land value increment tax on the land sold	-	76,854
Income tax expense	<u>\$ 15,352</u>	<u>\$ 112,485</u>

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

	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred income tax assets:				
- Temporary differences:				
Over-limit of allowance for loss	\$ 31,858	(\$ 2,040)	\$ -	\$ 29,818
Inventory valuation loss	16,112	10,216	-	26,328
Compensation for unused annual leave	4,249	(178)	-	4,071
Unrealized exchange loss	5,326	1,490	-	6,816
Remeasurement of defined benefit obligations	12,359	-	(4,434)	7,925
Unrealized sales gains	20,999	1,870	-	22,869
-Tax losses	88,650	(24,369)	-	64,281
Subtotal	<u>\$ 179,553</u>	<u>(\$ 13,011)</u>	<u>(\$ 4,434)</u>	<u>\$162,108</u>
Deferred income tax liabilities:				
- Temporary differences:				
Provision for land value increment tax	(\$ 21,379)	\$ -	\$ -	(\$ 21,379)
Others	(18)	(2,341)	-	(2,359)
Subtotal	<u>(\$ 21,397)</u>	<u>(\$ 2,341)</u>	<u>\$ -</u>	<u>(\$ 23,738)</u>
Total	<u>\$ 158,156</u>	<u>(\$ 15,352)</u>	<u>(\$ 4,434)</u>	<u>\$138,370</u>

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

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

December 31, 2022				
Year of occurrence	Declared/ Approved amount	Amount of unused tax loss carryforwards	Amount of unrecognized deferred income tax assets	Final year the carryforwards are due
2013	Approved amount	1,396,315	1,326,765	2023
2014	"	792,870	680,464	2024
2015	"	1,242,438	1,102,989	2025
2016	"	2,413,223	2,413,223	2026
2017	"	570,239	570,239	2027
2018	"	542,996	542,996	2028
2021	Declared amount	650,803	650,803	2031
2022	Estimated amount	145,810	145,810	2032
		<u>\$7,754,694</u>	<u>\$ 7,433,289</u>	

December 31, 2021				
Year of occurrence	Declared/ Approved amount	Amount of unused tax loss carryforwards	Amount of unrecognized deferred income tax assets	Final year the carryforwards are due
2013	Approved amount	1,396,315	1,348,348	2023
2014	"	792,870	695,748	2024
2015	"	1,242,438	1,099,688	2025
2016	"	2,413,223	2,257,811	2026
2017	"	570,239	570,239	2027
2018	"	542,996	542,996	2028
2021	Declared amount	650,803	650,803	2031
		<u>\$ 7,608,884</u>	<u>\$ 7,165,633</u>	

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

	December 31, 2022	December 31, 2021
Deductible temporary differences	<u>\$ 11,365,592</u>	<u>\$ 11,035,139</u>

6) The income tax returns of the profit-making business filed by the Company up to 2020 have been approved by the tax collection authorities.

dd. Earnings (loss) per share

2022			
	Amount after tax	Weighted average number of outstanding shares (thousand shares)	Loss per share (NT\$)
<u>Basic and diluted loss per share</u>			
Net loss	<u>(\$ 1,077,756)</u>	<u>1,131,830</u>	<u>(\$ 0.95)</u>
2021			
	Amount after tax	Weighted average number of outstanding shares (thousand shares)	Loss per share (NT\$)
<u>Basic earnings per share</u>			
Net profit	<u>\$ 161,186</u>	<u>1,158,881</u>	<u>\$ 0.14</u>
<u>Diluted earnings per share</u>			
Net profit	161,186	1,158,881	

Potential effect of dilutive
ordinary shares

Employee compensation	-	350	
Current net profit plus potential effect of ordinary shares	<u>\$ 161,186</u>	<u>1,159,231</u>	<u>\$ 0.14</u>

ee. Additional information on cash flows

Investing activities with only partial cash payment:

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

	2022	2021
Prepayments for purchase of equipment	\$ 88,314	\$ 75,755
Add: Payable, beginning of period	34,936	60,922
Less: Payable, end of period	(34,313)	(34,936)
Cash paid in the current period	<u>\$ 88,937</u>	<u>\$ 101,741</u>

- 2) Intangible assets:

	2022	2021
Acquisition of intangible assets	\$ 3,646	\$ 7,310
Add: Payable, beginning of period	662	425
Less: Payable, end of period	(320)	(662)
Cash paid in the current period	<u>\$ 3,988</u>	<u>\$ 7,073</u>

ff. Changes in liabilities from financing activities

	2022				
	Short-term borrowings	Short-term notes payable	Long-term borrowings (including due within one year or one operating cycle)	Lease liabilities	Total liabilities from financing activities
January 1	\$336,958	\$50,000	\$2,650,000	\$ 3,278	\$3,040,236
Changes in cash flow from financing activities	213,042	-	1,260,000	(10,365)	1,462,677
Other non-cash changes	-	-	-	78,324	78,324
December 31	<u>\$550,000</u>	<u>\$50,000</u>	<u>\$3,910,000</u>	<u>\$ 71,237</u>	<u>\$4,581,237</u>

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

7. Related-Party Transactions

a. Name of the related party and relationship

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

Note 1: Since liquidation proceedings have been carried out in 2022, the Company no longer has control over it.

Note 2: Approved for dissolution in 2021.

b. Significant transactions with related parties

1) Operating revenue

	<u>2022</u>	<u>2021</u>
Sales:		
Subsidiary - VJP	\$ 697,635	\$ 778,582
-VGmbH	401,959	386,331
-VUS	323,427	686,412
-Others	310,298	294,704
	<u>\$ 1,733,319</u>	<u>\$ 2,146,029</u>

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

2) Purchase

	<u>2022</u>	<u>2021</u>
Purchases of goods:		
Subsidiaries	<u>\$ 4,986</u>	<u>\$ 2,856</u>

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

3) Accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiary - VJP	\$ 315,387	\$ 355,787
-VUS	170,123	173,353
- Fortune (Jiangsu) Multimedia	147,887	51,066
-VGmbH	143,143	106,543
-VHK	6,545	15,293
-Others	2,388	2,363
Loss allowance	(1,003)	(91)
	<u>\$ 784,470</u>	<u>\$ 704,314</u>

The accounts receivable from related parties mainly come from the sales of goods, and there is no significant difference in the payment terms from those in general transactions, which is 60–120 days after the arrival of the goods. There is no mortgage and interest borne on receivables.

4) Trade payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiary - Yongxing Multimedia	\$ 2,201	\$ 3,158

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

5) Asset transactions:

	Financial statement account	<u>2022</u> Acquisition Price	<u>2021</u> Acquisition Price
Subsidiary -Sun Well	Machinery and equipment	\$ -	\$ 114,286
-Taiwan Net	Other non-current assets	696	172
-Others	"	239	-
		<u>\$ 935</u>	<u>\$ 114,458</u>

6) Operating expenses

	<u>2022</u>	<u>2021</u>
Subsidiaries	\$ 65,610	\$ 24,906
Associates	36	46
	<u>\$ 65,646</u>	<u>\$ 24,952</u>

Operating expenses for subsidiaries mainly refer to advertising fees and entertainment fees.

7) Other income

a) Rental income

	<u>2022</u>	<u>2021</u>
Subsidiary - Transtouch	\$ 20,694	\$ 20,281
- Others	3,383	3,354
	<u>\$ 24,077</u>	<u>\$ 23,635</u>

b) Other income

	<u>2022</u>	<u>2021</u>
Subsidiaries	\$ 5,222	\$ 8,678

8) Lending of funds - related parties

a) Lending to related parties

i. Closing Balance (Other receivables - related parties)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiary - Sun Well	\$ 1,055,300	\$ 1,055,300
Less: Allowance for loss	(1,055,300)	(1,055,300)
	<u>\$ -</u>	<u>\$ -</u>

ii. Interest revenue

	<u>2022</u>	<u>2021</u>
Subsidiary - Sun Well	\$ -	\$ 19,803
-EMC H	-	1,231
	<u>\$ -</u>	<u>\$ 21,034</u>

The funds lent to subsidiaries shall be recovered within 1 year after the funds were lent as agreed. The interest on the funds lent for 2021 was based on an annual interest rates of 1.55%–1.7422%.

b) Borrowing from related parties

Closing Balance (Other payables - related parties)

	<u>2022</u>	<u>2021</u>
Subsidiary - SuperNet	\$ 30,725	\$ 27,655
-EMC H	245,800	-
	<u>\$ 276,525</u>	<u>\$ 27,655</u>

Borrowings from subsidiaries were interest-free.

9) Other receivables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiaries	\$ 52,073	\$ 49,332
Less: Allowance for loss	(40,495)	(43,014)
	<u>\$ 11,578</u>	<u>\$ 6,318</u>

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

10) Other payables

	<u>2022</u>	<u>2021</u>
Subsidiary - VJP	\$ 20,378	\$ 1,820
- Others	<u>2,632</u>	<u>8,180</u>
	<u>\$ 23,010</u>	<u>\$ 10,000</u>

Other payables to subsidiaries mainly refer to advertising fees payable and hardware parts payable.

c. Information on the remuneration of the key management:

	<u>2022</u>	<u>2021</u>
Salaries and other short-term employee benefits	\$ 17,928	\$ 19,735
Post-employment benefits	<u>424</u>	<u>449</u>
	<u>\$ 18,352</u>	<u>\$ 20,184</u>

8. Pledged Assets

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

<u>Asset items</u>	<u>Carrying amount</u>		<u>Purpose of collateral</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>	
Time deposits pledged (listed in financial assets at amortized cost - current)	\$ 2,400	\$ 2,400	Bank borrowings
Listed stocks (listed in financial assets at FVTPL- non-current)	1,974,795	1,735,180	"
Property, plant and equipment	2,550,848	2,574,076	"
Investment property	<u>2,421</u>	<u>2,639</u>	"
	<u>\$ 4,530,464</u>	<u>\$ 4,314,295</u>	

9. Significant Contingent Liabilities and Unrecognized Contractual Commitments

a. Contingencies: N/A.

b. Commitments:

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Property, plant and equipment	<u>\$ 4,985</u>	<u>\$ 7,720</u>

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

3) Unused amount of letter of credit issued

	Unit: Thousand	
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
USD	\$ 3,483	\$ 9,263
NTD	-	73,440

10. Major Disaster Loss

None.

11. Material Events After the Balance Sheet Date

None.

12. Others

a. Capital management

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

b. Financial instruments

1) Type of financial instruments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss (FVTPL)		
Financial assets mandatorily at fair value through profit or loss	<u>\$ 5,738,738</u>	<u>\$ 5,734,805</u>
Financial assets at fair value through other comprehensive income (FVTOCI)		
Investment in designated equity instruments selected	<u>\$ 53,243</u>	<u>\$ 59,826</u>
Financial assets measured at amortized cost/loans and receivables		
Cash and cash equivalents	\$ 1,191,212	\$ 1,087,921
Financial assets at amortized cost - current	2,400	2,400
Notes receivable	230	2,049
Accounts receivable	1,180,761	1,165,485
Finance lease receivables (listed in other current and non-current assets)	51,086	-
Other receivables	49,927	139,718
Refundable deposits (listed in other non-current assets)	4,897	4,971
	<u>\$ 2,480,513</u>	<u>\$ 2,402,544</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trade	<u>\$ 1,952</u>	<u>\$ -</u>
Financial liabilities measured at amortized cost		
Short-term borrowings	\$ 550,000	\$ 336,958
Short-term notes payable	50,000	50,000
Notes payable	45,974	69,079
Trade payables	288,152	473,027
Other payables	465,530	326,167
Long-term borrowings (including due within one year or one operating cycle)	3,910,000	2,650,000
Guarantee deposits received (listed in other non-current liabilities)	6,285	6,406
	<u>\$ 5,315,941</u>	<u>\$ 3,911,637</u>
Lease liabilities	<u>\$ 71,237</u>	<u>\$ 3,278</u>

- 2) Risk management policy
 - a) The Company's daily operations are affected by a number of financial risks, including market risks (including exchange rate risk, interest rate risk, and price risk), credit risk, and liquidity risk. In order to reduce the adverse effects of uncertainty on the financial performance of the Company, the Company engages in forward exchange agreements to avoid exchange rate risk. The derivative instruments undertaken by the Company are for the purpose of hedging risks and are not used for trading or speculation.
 - b) Risk management is carried out by the Company finance department in accordance with the policies approved by the board of directors. The Company's finance department is responsible for identifying, evaluating, and avoiding financial risks through close collaboration with the Company's operating units. The board of directors has formulated principles for overall risk management, and also provided written policies for specific areas and matters, such as exchange rate risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments, and the investment using remaining liquidity.
- 3) The nature and level of material financial risks
 - a) Market risk
 - Exchange rate risk
 - i. The Company operates its business transnationally and is therefore exposed to exchange rate risks arising from transactions that are relatively different from the Company's functional currencies, which are mainly USD, JPY, EUR and CNY. The exchange rate risk arises from future business transactions and assets and liabilities recognized.
 - ii. The management of the Company has established policies to regulate the Company's exchange rate risk in relation to its functional currency. The finance department shall hedge against the overall exchange rate risk. The exchange rate risk is measured by forecast transactions with USD and CNY expenditures that are highly probable to occur. Forward exchange agreements are used to reduce the impact of exchange rate fluctuations on the expected cost of inventory purchase.
 - iii. The Company uses forward exchange agreements to hedge against exchange rate risk, but does not apply hedge accounting.
 - iv. The Company's business involves a number of non-functional currencies (the functional currency of the Company is NTD). Therefore, it is affected by exchange rate fluctuations. Information on foreign currency assets and liabilities influenced by significant exchange rate fluctuations is as follows:

December 31, 2022			
	Foreign currencies (thousand)	Exchange rate	Carrying amount (NTD)
(Foreign currency: Functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 37,368	30.725	\$ 1,148,132
EUR: NTD	535	32.76	17,527
CNY: NTD	50,431	4.411	222,451
<u>Non-monetary items</u>			
USD: NTD	\$ 133,907	30.725	\$ 4,114,293
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	\$ 16,485	30.725	\$ 506,502

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

- v. The aggregate amount of all exchange gains (losses) (including realized and unrealized) on the Company's monetary items influenced by significant exchange rate fluctuations were NT\$90,131 and (NT\$6,613) in 2022 and 2021 respectively.
- vi. The Company's foreign currency market risk analysis due to significant influence of exchange rate fluctuations is as follows:

2022				
Sensitivity analysis				
	Exchange rate band		Effect on profit and loss	Effect on other comprehensive income
(Foreign currency: Functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD: NTD	1%	\$	11,481	\$ -
EUR: NTD	1%		175	-
CNY: NTD	1%		2,225	-
<u>Non-monetary items</u>				
USD: NTD	1%		41,143	\$ -
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD: NTD	1%	\$	5,065	\$ -

2021				
Sensitivity analysis				
	Exchange rate band		Effect on profit and loss	Effect on other comprehensive income
(Foreign currency: Functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD: NTD	1%	\$	14,260	\$ -
JPY: NTD	1%		267	-
EUR: NTD	1%		238	-
CNY: NTD	1%		549	-
<u>Non-monetary items</u>				
USD: NTD	1%	\$	40,276	\$ -
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD: NTD	1%	\$	6,953	\$ -

Price risk

- i. The Company's equity instruments exposed to price risk are financial assets held at FVTPL and financial assets at FVTOCI. To manage its price risk arising from investments in equity instruments, the Company diversifies its portfolio. Diversification of the portfolio is conducted in accordance with limits set by the Company.
- ii. The Company primarily invests in equity instruments and open-end funds issued by domestic companies, and the price of such equity instruments is affected by the uncertainty of the future value of the investment target. If the price of these equity instruments rises or falls by 1%, and all other factors remain unchanged, the net profit or loss after tax for 2022 and 2021 will increase or decrease by NT\$57,387 and NT\$57,333 respectively due to the gains or losses on equity instruments at FVTPL; and the other comprehensive income will increase or decrease by NT\$532 and NT\$598, respectively due to the gains or losses on the equity instrument investment at FVTOCI.

Interest rate risk of cash flow and fair value

- i. The Company's interest rate risk mainly comes from long-term borrowings issued at floating interest rates, exposing the Group to the interest rate risk of cash flow. In 2022 and 2021, the Company's loans taken out at the floating interest rate were mainly denominated in NTD.
- ii. The Company's loans are measured at amortized cost and the annual interest rate will be repriced every year according to the contracts. Therefore, the Company is exposed to the risk of future market interest rate changes.
- iii. When the NTD borrowing interest rate rose or fell by 0.25%, while all other factors remained unchanged, the net income after tax would have decreased or increased by NT\$7,820 and NT\$5,300 in 2022 and 2021, respectively, as the interest expenses would change with the floating interest rates for the borrowings.

b) Credit risk

- i. The credit risk of the Company is the risk of financial loss suffered by the Company arising from the failure of customers or counterparties of financial instruments to fulfill contractual obligations. It mainly comes from counterparties' inability to settle the contractual cash flow of trade receivable in accordance with the payment terms.
- ii. The Company has established credit risk management from the Company's perspective. For banks and financial institutions with whom it is dealing, only those with good credit ratings can be accepted as transaction counterparties. In accordance with the internal credit policy, the Company must conduct management and credit risk analysis of each new customer before deciding payment and delivery terms and conditions. The internal risk control system evaluates the credit quality of customers by considering their financial positions, past experience, and other factors. Individual risk limits are set by the board of directors based on internal or external ratings, and the drawdown of credit limits is regularly monitored.
- iii. In accordance with the credit risk management procedures adopted by the Company, when a contract payment is overdue by more than 360 days in accordance with the agreed payment terms, it shall be deemed as a default.
- iv. The Company adopts IFRS 9 to set the following assumptions as the basis

for judging whether the credit risk of financial instruments has increased significantly since initial recognition:

- v. When a contract payment is overdue for more than 30 days in accordance with the agreed payment terms, it is deemed that the credit risk of a financial asset has increased significantly since the initial recognition.
- vi. The Company groups customers' trade receivable according to the customers' characteristics, and adopts a simplified approach to estimate expected credit losses based on a provision matrix and the loss rate method.
- vii. After the recourse procedures, the Company writes off the amount of financial assets that cannot be reasonably expected to be recovered. However, the Company will continue to carry out the legal recourse procedures to preserve the creditor's rights. As of December 31, 2022 and 2021, the Company had no claims that had been written off nor recourse activities underway.
- viii.
 - i) The Company has included forward-looking considerations for the future global business information and adjusted the loss rate established based on historical and current information for a specific period to estimate the loss allowance for the notes and accounts receivable of customers with general credit ratings (including related parties). The provision matrix as of December 31, 2022 and 2021 is as follows

	Expected loss rate	Total carrying amount	Loss allowance	Total
<u>December 31, 2022</u>				
Not past due	0.5%	\$ 11,673	(\$ 58)	\$ 11,615
Overdue for 1–30 days	2.7%	8,973	(242)	8,731
Overdue for 31–60 days	4.4%	21,187	(932)	20,255
Overdue for 61–90 days	8.5%	11,030	(938)	10,092
Overdue for 91–180 days	10.6%~22.4%	37,775	(5,340)	32,435
Overdue for more than 181 days	26.7%~100%	30,068	(13,976)	16,092
Total		<u>\$ 120,706</u>	<u>(\$ 21,486)</u>	<u>\$ 99,220</u>

	Expected loss rate	Total carrying amount	Loss allowance	Total
<u>December 31, 2021</u>				
Not past due	0.4%	\$ 35,726	(\$ 142)	\$ 35,584
Overdue for 1–30 days	2.3%	12,093	(278)	11,815
Overdue for 31–60 days	3.8%	6,021	(229)	5,792
Overdue for 61–90 days	7.4%	6,993	(517)	6,476
Overdue for 91–180 days	8.6~17.4%	10,795	(1,607)	9,188
Overdue for more than 181 days	20.7~100%	74,917	(59,753)	15,164
Total		<u>\$ 146,545</u>	<u>(\$ 62,526)</u>	<u>\$ 84,019</u>

- ii) For customers with good credit ratings, the Company adopts the loss rate method to calculate the expected credit loss because the expected credit impairment is not significant. The expected loss rate is 0.2%. The total amount of accounts receivable as of December 31, 2022 and 2021 were NT\$1,083,372 and NT\$1,084,704, respectively, and the loss allowance were NT\$1,601 and NT\$1,189, respectively.
- iii) The total carrying value of finance lease receivables as of December 31, 2022 was NT\$51,086. Due to good credit risk, the expected credit impairment was not significant, so the allowance for loss is NT\$0.
- ix. The table of the changes in the Company's simplified loss allowance for notes and trade receivable (including related parties), other trade receivable (including related parties), and overdue receivables is as follows:

	2022			
	Notes receivable and trade receivable (including related parties)	Other receivables (including related parties)	Overdue receivables	Total
January 1	\$ 63,715	\$ 1,106,777	\$109,031	\$1,279,523
Impairment loss	20,987	-	-	20,987
Reversal of impairment loss	-	(42)	(379)	(421)
Write-off of unrecoverable accounts	(45)	(2,520)	(30,785)	(33,350)
Transfer of overdue receivables	(61,570)	-	61,570	-
December 31	<u>\$ 23,087</u>	<u>\$ 1,104,215</u>	<u>\$139,437</u>	<u>\$1,266,739</u>
	2021			
	Notes receivable and trade receivable (including related parties)	Other receivables (including related parties)	Overdue receivables	Total
January 1	\$ 99,817	\$ 407,434	\$ 50,555	\$ 557,806
Impairment loss	23,078	2,042	-	25,120
Reversal of impairment loss	-	-	(704)	(704)
Write-off of unrecoverable accounts	-	(398,494)	-	(398,494)
Transfer of overdue receivables	(59,180)	-	59,180	-
Transfer of Credit balance of investments accounted for using the equity method	-	1,095,795	-	-
December 31	<u>\$ 63,715</u>	<u>\$ 1,106,777</u>	<u>\$109,031</u>	<u>\$1,279,523</u>

Among the losses recognized in 2022 and 2021, the impairment losses recognized for receivables arising from customer contracts were NT\$20,608 and NT\$22,374, respectively.

c) Liquidity risk

- i. The cash flow forecast is executed by each operating entity in the Company and is compiled by the Group's finance department. The Company's finance department monitors the forecast of the Company's liquidity requirements to ensure that it has sufficient funds to meet operational needs.
- ii. The following table shows the Company's non-derivative financial liabilities and its net or total settlement of derivative financial liabilities, grouped according to the relevant maturity date. The non-derivative financial liabilities are analyzed according to the remaining period from the balance sheet to the contractual maturity date; derivative financial liabilities are analyzed according to the remaining period from the balance sheet to the expected maturity date. The contractual cash flows disclosed in the table below are the undiscounted amounts.

December 31, 2022

	Within 1 year	1-2 years	2-5 years	Over 5 years
<u>Non-derivative financial liabilities:</u>				
Short-term borrowings (including estimated interest)	\$ 551,577	\$ -	\$ -	\$ -
Short-term notes payable	50,000	-	-	-
Notes payable	45,974	-	-	-
Trade payables	288,152	-	-	-
Other payables	465,530	-	-	-
Lease liabilities	10,000	8,700	26,835	29,640
Long-term borrowings (including due within one year or one operating cycle and estimated interest)	1,590,332	1,612,275	810,671	-
Guarantee deposits received (listed in other non-current liabilities)	-	1,635	916	3,734
<u>Derivative financial liabilities</u>				
Forward exchange agreements	\$ 1,952	\$ -	\$ -	\$ -

December 31, 2021

	Within 1 year	1-2 years	2-5 years	Over 5 years
<u>Non-derivative financial liabilities</u>				
Short-term borrowings (including estimated interest)	\$ 337,588	\$ -	\$ -	\$ -
Short-term notes payable	50,000	-	-	-
Notes payable	69,078	-	-	-
Trade payables	473,025	-	-	-
Other payables	326,167	-	-	-
Long-term borrowings (including due within one year or one operating cycle and estimated interest)	755,979	1,293,801	653,186	-
Guarantee deposits received (listed in other non-current liabilities)	-	1,576	1,096	3,734

c. Fair value information

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

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

Level 2: The directly or indirectly observable input of an asset or liability, except for quotations included in Level 1. The fair value of most of the derivatives invested by the Company belongs to this level.

Level 3: The value of the asset or liability cannot be observed. The equity instruments without active markets invested by the Company belong to this level.

- 2) Financial instruments not measured at fair value

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

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

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

December 31, 2022

	Level 1	Level 2	Level 3	Total
Assets				
<u>Fair value on a recurring basis</u>				
Financial assets at fair value through profit or loss (FVTPL)				
Equity securities	\$5,738,738	\$ -	\$ -	\$5,738,738
Financial assets at fair value through other comprehensive income (FVTOCI)				
Equity securities	-	-	53,243	53,243
Total	<u>\$5,738,738</u>	<u>\$ -</u>	<u>\$ 53,243</u>	<u>\$5,791,981</u>
Liabilities				
<u>Fair value on a recurring basis</u>				
Financial liabilities at fair value through profit or loss				
Derivative instruments	<u>\$ -</u>	<u>\$1,952</u>	<u>\$ -</u>	<u>\$ 1,952</u>

December 31, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Fair value on a recurring basis</u>				
Financial assets at fair value through profit or loss (FVTPL)				
Equity securities	\$5,733,294	\$ -	\$ -	\$5,733,294
Derivative instruments	-	1,511	-	1,511
Financial assets at fair value through other comprehensive income (FVTOCI)				
Equity securities	-	-	59,826	59,826
Total	<u>\$5,733,294</u>	<u>\$1,511</u>	<u>\$ 59,826</u>	<u>\$5,794,631</u>

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

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

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

- ii. Except for the above-mentioned financial instruments with active markets, the fair value of other financial instruments is obtained through valuation techniques or with reference to the quoted prices of counterparties.
- iii. When evaluating non-standard and less complex financial instruments, the Company adopts the valuation techniques widely used by market participants. The parameters used in the valuation models for such financial instruments are usually market observable information.
- iv. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present discounted value techniques and option pricing models. Forward exchange agreements are usually valued based on current forward exchange rates.
- v. The output of the valuation models is an estimated value, and the valuation techniques may not reflect all the relevant factors of the financial instruments and non-financial instruments held by the Company. Therefore, the estimated value of the valuation models will be appropriately adjusted according to additional parameters.

- 4) There were no transfers between Level 1 and Level 2 fair value in 2022 and 2021.
- 5) The table below shows the changes in Level 3 fair value in 2022 and 2021:

	2022	2021
	<u>Equity instruments</u>	<u>Equity instruments</u>
January 1	\$ 59,826	\$ 47,441
Disposal of equity instruments measured at FVTOCI	(325)	-
Listed in unrealized gain/loss on investments in equity instruments at FVTOCI	(6,258)	12,385
December 31	<u>\$ 53,243</u>	<u>\$ 59,826</u>

- 6) There were no transfers into or out of Level 3 fair value in 2022 and 2021.
- 7) In the Company's valuation process for fair value classified as Level 3, the strategic investment department is responsible for independent fair value verification for financial instruments, uses data from independent sources to make the valuation results close to the market level, and confirms that the source of the data is independent, reliable, consistent with other resources, and representative of the executable price, while regularly calibrating the valuation model, updating the inputs and data required by the valuation model, and making any other necessary fair value adjustments to ensure that the valuation results are reasonable.
- 8) The quantitative information on the significant unobservable inputs of the valuation model used in the Level 3 fair value measurement and the sensitivity analysis of the significant unobservable input change are explained as follows:

	<u>Fair value as of December 31, 2022</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Interval (weighted average)</u>	<u>Relationship between input and fair value</u>
Non-derivative equity instruments:					
Unlisted stocks	\$ 53,243	Comparable public company approach	Price-to-earnings ratio, price-to-book ratio, enterprise value-to-operating income ratio, enterprise value-to-earnings before interest, taxes, depreciation, and amortization ratio, and lack of market liquidity discount	N/A	The higher the multiple, the higher the fair value; the higher the discount for market liquidity, the lower the fair value.
	<u>Fair value as of December 31, 2021</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Interval (weighted average)</u>	<u>Relationship between input and fair value</u>
Non-derivative equity instruments:					
Unlisted stocks	\$ 59,435	Comparable public company approach	Price-to-earnings ratio, price-to-book ratio, enterprise value-to-operating income ratio, enterprise value-to-earnings before interest, taxes, depreciation, and amortization ratio, and lack of market liquidity	N/A	The higher the multiple, the higher the fair value; the higher the discount for market liquidity, the lower the fair value.

Stocks of venture capital companies	391	Net asset value method	discount N/A	N/A	N/A
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- 9) The Company has selected valuation model and valuation parameters after careful evaluation, but different valuation results may occur due to the use of different valuation models or valuation parameters.

13. Supplementary Disclosures

a. Information on significant transactions

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

b. Information on investees

Information on name and location of investees (disclosing those with original investment amounting to at least NT\$200 million at the end of the period while excluding investees in mainland China): Please refer to Table 8.

c. Information on investments in mainland China

- 1) Basic information: Please refer to Table 9.
- 2) Significant transactions with investees in mainland China, either directly or indirectly, through a business in a third region, the prices, payment terms, and unrealized gains or losses: Note 7: Related-party transactions and Note 13(1)10.

d. Information on Major Shareholders

Information on major shareholders: Please refer to Table 10.

14. Segment Information

N/A.

CMC Magnetics Corporation and Its Subsidiaries

Loans to Others

January 1 to December 31, 2022

Table 1

Unit: NT\$ thousand (unless otherwise specified)

No. (Note 1)	Lender	Borrower	Transaction Items (Note 2)	Related party status	Highest amount of the Period (Note 3)	Closing Balance (Note 12)	Actual Amount Drawn Down	Range of Interest Rates (%)	Type of Lending (Note 4)	Amount of Transaction (Note 5)	Reason for Short-term Financing (Note 6)	Loss Allowance Provided	Collateral		Limit on loan granted to a single party	Total limit	Remarks
													Name	Value			
0	CMC	Sun Well	Other receivables - related parties	Y	\$1,055,300	\$1,055,300	\$1,055,300	1.70%	2	\$ -	Working capital	\$1,055,300	-	\$ -	\$2,480,702	\$6,615,206	Note 7, Note 13
1	CMC Movie	Asia 1 Entertainment	Other receivables	Y	49,000	-	-	1.17%	2	-	Working capital	-	-	-	47,336	47,336	Note 8, Note 13
2	EMC H	Fortune (Jiangsu) Multimedia	Other receivables	Y	260,898	211,728	211,728	-	2	-	Working capital	-	-	-	538,480	1,435,947	Note 10, Note 12
2	EMC H	VJP	Other receivables	Y	24,310	23,210	23,210	-	2	-	Working capital	-	-	-	538,480	1,435,947	Note 10, Note 12
2	EMC H	SuperNet	Other receivables	Y	59,030	-	-	-	2	-	Working capital	-	-	-	1,794,933	1,435,947	Note 10, Note 12
2	EMC H	CMC	Other receivables	Y	257,600	245,800	245,800	-	2	-	Working capital	-	-	-	1,794,933	1,435,947	Note 10, Note 12
3	SuperNet	CMC	Other receivables	Y	32,200	30,725	30,725	-	2	-	Working capital	-	-	-	216,721	173,377	Note 11, Note 12
4	Fortune (Jiangsu) Electronic	Sun Biotech	Other receivables	Y	17,100	16,784	16,784	4.35%	2	-	Working capital	-	-	-	45,399	45,399	Note 8, Note 12
5	CHC	Asia 1 Entertainment	Other receivables	Y	217,000	-	-	1.50%	2	-	Working capital	-	-	-	300,000	1,319,477	Note 9, Note 13

Note 1: The information on funds lent between the Company and its subsidiaries shall be entered as follows:

(1) The Company is coded "0".

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

Note 2: For any transaction recognized in amount receivable from associates, amount receivable from related parties, shareholders' transactions, advance payments, temporary debits, etc., in the case of a fund lent to others, this field shall be entered.

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

Note 4: The nature of lending of funds shall be listed as business transactions or necessary for short-term financing.

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

(2) If there is a need for short-term financing, please enter 2.

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

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

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

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

The limit on the funds lent to each entity is 40% of the net worth of the lender.

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

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

Note 11: The upper limit on the funds lent is 40% of the current net worth of the lender. For the parent company of the Company and foreign companies in which the ultimate parent company holds 100% of the voting shares directly and indirectly, the limit on the funds lent shall not exceed 50% of the net worth of the Company.

Note 12: The translation is based on the original currency multiplied by the exchange rate at the end of the period.

Note 13: Relevant processing procedures have been reported to the board of directors in accordance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees.

CMC Magnetics Corporation and Its Subsidiaries
Endorsements/Guarantees Provided to Others
January 1 to December 31, 2022

Table 2

Unit: NT\$ thousand (unless otherwise specified)

No. (Note 1)	<u>Party Endorsed/Guaranteed</u>		Relationship (Note 2)	Limit of Endorsement /Guarantee for a Single Entity	Maximum Balance of Endorsement /Guarantee for the Current Period (Note 4)	Balance of Endorsement /Guarantee at the end of the Period (Note 5)	Actual Amount Drawn Down (Note 6)	Endorsement /Guarantee Secured with Collateral	Cumulative Endorsements/ Guarantees to the Net Equity in the Latest Financial Statements (%)	Upper Limit of Endorsements/ Guarantees	Parent to subsidiary (Note 7)	Subsidiary to parent (Note 7)	To entity in Mainland China (Note 7)	Note
	Company Name (Endorsement /Guarantee Provider)	Company Name												
1	CMC Entertainment	CMC Entertainment Hub	4	\$17,599	\$1,632	\$1,632	\$ -	\$ -	2.78	\$17,599	N	N	N	Note 3

Note 1: The description of No. column is as follows:

- (1) The issuer is coded "0".
- (2) The investees are coded sequentially beginning from "1" by each individual company.

Note 2: There are seven types of relationships between the endorsement/guarantee provider and the endorsed/guaranteed party. Just enter the code:

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

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

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

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

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

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

Note 8: As of December 31, 2022, CMC's balance of customs guarantee provided to the Customs Office for post-release duty payments was NT\$3,000; As of December 31, 2022, Transtouch's balance of customs guarantee provided to the Customs Office for post-release duty payments was NT\$1,782.

CMC Magnetics Corporation and Its Subsidiaries
Marketable Securities Held at the End of the Period (Excluding Investment in Subsidiaries, Associates, and Joint Ventures)
January 1 to December 31, 2022

Table 3

		Unit: NT\$ thousand (unless otherwise specified)					
Securities held by	Type and Name of Securities (Note 1)	Relationship with Securities Issuer	General Ledger Account	End of Period			
				Number of Shares	Carrying Amount (Note 2)	Ownership Percentage (%)	Fair Value
CMC	Stock of Taiwan High Speed Rail Corporation		Financial assets at FVTPL - current	40,667,000	\$ 1,169,176	0.72	\$ 1,169,176
	Stock of Evergreen Marine Corporation			6,212,000	1,012,556	0.29	1,012,556
	Stock of Yang Ming Marine Transport Corporation		"	10,459,000	685,065	0.30	685,065
	Stock of Chateau International Development Company Limited		"	12,391,421	413,873	11.11	413,873
	Stock of Tainan Enterprises Co., Ltd.		"	13,782,000	288,044	9.37	288,044
	Stock of FarGlory Hotel Co., Ltd		"	4,084,000	130,892	3.89	130,892
	Stock of Chung Hsin Electric & Machinery Manufacturing Corporation		"		10,123		10,123
					<u>\$ 3,709,729</u>		<u>\$ 3,709,729</u>
	Stock of Taiwan High Speed Rail Corporation		Financial assets at FVTPL - non-current	58,700,000	\$ 1,687,625	1.04	\$ 1,687,625
	Stock of FarGlory Hotel Co., Ltd		"	5,000,000	160,250	4.76	160,250
	Stock of Chateau International Development Company Limited		"	3,800,000	126,920	3.41	126,920
	Stock of Big Sunshine Co., Ltd.		"		54,214		54,214
					<u>\$ 2,029,009</u>		<u>\$ 2,029,009</u>
	Stock of C & Multi Enterprise Corp.		Financial assets at FVTOCI - non-current		\$ 53,243		\$ 53,243

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

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

Note 3: As of December 31, 2022, the Company provided 67,500,000 shares of marketable securities (Carrying amount: NT\$1,974,795) as pledge guarantee.

CMC Magnetics Corporation and Its Subsidiaries
Marketable Securities Held at the End of the Period (Excluding Investment in Subsidiaries, Associates, and Joint Ventures)
January 1 to December 31, 2022

Table 3

		Unit: NT\$ thousand (unless otherwise specified)						
		End of Period						
Securities held by	Type and Name of Securities (Note 1)	Relationship with Securities Issuer	General Ledger Account	Number of Shares	Carrying Amount (Note 2)	Ownership Percentage (%)	Fair Value	Note
CHC	Stock of FarGlory Hotel Co., Ltd		Financial assets at FVTPL - current	9,080,000	\$291,014	8.65	\$291,014	
	Stock of Taiwan High Speed Rail Corporation		"	7,739,000	222,496	0.14	222,496	
	Stock of Evergreen Marine Corporation		"	1,052,000	171,476	0.05	171,476	
	Millerful No.1 REIT		"		169,122		169,122	
	Stock of Taiwan Semiconductor Manufacturing Co., Ltd.		"	340,000	152,490	-	152,490	
	Stock of Yang Ming Marine Transport Corporation		"	1,744,000	114,232	0.05	114,232	
	Stock of Big Sunshine Co., Ltd.		"		<u>113,282</u>		<u>113,282</u>	
					<u>\$1,234,112</u>		<u>\$1,234,112</u>	
	Stock of Taiwan High Speed Rail Corporation		Financial assets at FVTPL - non-current	18,000,000	\$517,500	0.32	\$517,500	Note 3
	Stock of Tainan Enterprises Co., Ltd.		"	9,522,000	199,010	6.47	199,010	
	Stock of Chateau International Development Company Limited		"	5,928,269	198,004	5.32	198,004	
	Stock of Chung Hsin Electric & Machinery Manufacturing Corporation		"	2,256,730	<u>151,652</u>	0.47	<u>151,652</u>	
					<u>\$1,066,166</u>		<u>\$1,066,166</u>	
	Stock of Gaius Automotive Inc.		Financial assets at FVTOCI - non-current		<u>\$ 112,867</u>		<u>\$ 112,867</u>	

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

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

Note 3: As of December 31, 2022, Zhong Jia provided 18,000,000 shares of marketable securities (Carrying amount: NT\$517,500) as pledge guarantee.

CMC Magnetics Corporation and Its Subsidiaries
Marketable Securities Held at the End of the Period (Excluding Investment in Subsidiaries, Associates, and Joint Ventures)
January 1 to December 31, 2022

Table 3

Unit: NT\$ thousand (unless otherwise specified)								
Securities held by	Type and Name of Securities (Note 1)	Relationship with Securities Issuer	General Ledger Account	End of Period		Ownership Percentage (%)	Fair Value	Note
				Number of Shares	Carrying Amount (Note 2)			
CIA	Stock of Transpac Corporation		Financial assets at FVTOCI - non-current		\$ 5,744		\$ 5,744	
Supernet	in Shanghai-Hong Kong Stock Connect		Financial assets at FVTPL - current		\$ 26,667		\$ 26,667	
	HSBC Commercial Bank Bonds		"		55,158		55,158	
					\$ 81,825		\$ 81,825	
	Millaful Value Creation Fund I Stock of SPC		Financial assets at FVTOCI - non-current		\$ 172,557		\$ 172,557	
CMC Movie	Stock of Mandarin Vision Co., Ltd.		Financial assets at FVTOCI - non-current		\$ 3,288		\$ 3,288	

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

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

CMC Magnetics Corporation and Its Subsidiaries
Marketable Securities Held at the End of the Period (Excluding Investment in Subsidiaries, Associates, and Joint Ventures)
January 1 to December 31, 2022

Table 3

Unit: NT\$ thousand (unless otherwise specified)

Securities held by	Type and Name of Securities (Note 1)	Relationship with Securities Issuer	General Ledger Account	Number of Shares	End of Period			Note
					Carrying Amount (Note 2)	Ownership Percentage (%)	Fair Value	
Deltamac	Film Investment Contracts		Financial assets at FVTPL - non-current		<u>\$ 4,700</u>		<u>\$ 4,700</u>	
	Ordinary shares of Self Pick Inc.		Financial assets at FVTOCI - non-current	500,000	<u>\$ 591</u>	6.25	<u>\$ 591</u>	
Transtouch	Cathay US Multi-Income Balanced Fund		Financial assets at FVTPL - current		\$ 44,044		\$ 44,044	
	Taiwan Cement Corp. 2nd Preferred Shares		"		<u>18,840</u>		<u>18,840</u>	
					<u>\$ 62,884</u>		<u>\$ 62,884</u>	
	Privately offered fund—First Financial—UBS Global Real Estate Private Equity Securities Investment Trust Fund		Financial assets at FVTPL - non-current		<u>\$ 10,980</u>		<u>\$ 10,980</u>	
	Ordinary shares of Chunghwa Telecom Co., Ltd		Financial assets at FVTOCI - non-current		<u>\$ 72,264</u>		<u>\$ 72,264</u>	
EMC H	CDIB Yida Private Equity (Kunshan) Biomedical Equity Investment Fund		Financial assets at FVTOCI - non-current		<u>\$ 35,641</u>		<u>\$ 35,641</u>	
Fortune (Jiangsu) Electronic	CDIB Yida Private Equity (Kunshan) Investment Fund		Financial assets at FVTOCI - non-current		<u>\$ 55,012</u>		<u>\$ 55,012</u>	

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

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

CMC Magnetix Corporation and Its Subsidiaries
Marketable Securities Acquired or Sold Amounting to at Least NT\$300 Million or 20% of the Paid-in Capital
January 1 to December 31, 2022

Table 4

Unit: NT\$ thousand (unless otherwise specified)

Trading Company	Type and Name of Securities (Note 1)	General Ledger Account	Counterparty (Note 2)	Relationship (Note 2)	Beginning of Period (Note 3)		Acquired (Note 4)		Sold (Note 4)			Gains or Losses on Disposal	End of period (Note 6)		Note
					Number of Shares (thousand shares)	Amount	Number of Shares (thousand shares)	Amount	Number of Shares (thousand shares)	Selling Price	Book Cost		Number of Shares (thousand shares)	Amount	
CMC	Stock of Taiwan High Speed Rail Corporation	Financial assets at FVTPL - current and non-current	-	-	91,444	\$2,889,827	14,107	\$ 401,479	6,184	\$ 175,668	\$192,224	(\$ 16,556)	99,367	\$2,856,801	
"	Cathay Global Autonomous and Electric Vehicles ETF Fund	Financial assets at FVTPL - current	-	-	2,656	43,801	26,249	368,046	28,905	409,317	411,847	(2,530)	-	-	
"	Stock of Chung Hsin Electric & Machinery Manufacturing Corporation	"	-	-	7,666	353,266	14,140	761,265	21,656	1,160,792	1,104,851	55,941	150	10,080	
"	Stock of Taiwan Semiconductor Manufacturing Co., Ltd.	"	-	-	35	20,972	2,035	1,068,283	2,070	1,055,636	1,089,255	(33,619)	-	-	
"	Stock of MediaTek Inc.	"	-	-	-	-	1,370	1,146,450	1,370	1,127,705	1,146,450	(18,745)	-	-	
"	Stock of Evergreen Marine Corporation	"	-	-	1,263	166,278	30,793	4,321,351	25,844	3,063,825	3,160,964	(97,139)	6,212	1,012,556	
"	Stock of Yang Ming Marine Transport Corporation	"	-	-	5,086	565,510	24,579	1,962,751	19,206	1,704,875	1,750,979	(46,104)	10,459	685,065	
"	Stock of Fubon Financial Holding Co., Ltd.	"	-	-	981	72,464	5,078	333,618	6,058	401,684	406,040	(4,356)	1	42	
"	Stock of Cathay Financial Holdings	"	-	-	240	14,440	7,102	384,190	7,342	385,765	398,630	(12,865)	-	-	
"	Stock of CTBC Financial Holding Co., Ltd.	"	-	-	-	-	18,170	464,490	18,170	452,197	464,490	(12,293)	-	-	
"	Stock of WIN Semiconductors Corp.	"	-	-	25	9,296	1,309	393,698	1,334	394,323	402,994	(8,671)	-	-	
"	Stock of Globalwafers. Co., Ltd.	"	-	-	-	-	1,179	597,407	1,179	599,210	597,407	1,803	-	-	
CHC	Stock of Taiwan High Speed Rail Corporation	Financial assets at FVTPL - current and non-current	-	-	25,651	920,544	12,395	352,456	12,307	348,959	423,489	(74,530)	25,739	739,996	
"	Stock of Tatung Company	Financial assets at FVTPL - current	-	-	5,260	183,420	26,897	914,025	32,157	1,093,872	1,097,445	(3,573)	-	-	
"	Stock of Evergreen Marine Corporation	"	-	-	-	-	7,490	1,126,207	6,438	997,166	955,948	41,218	1,052	171,476	
"	Stock of Yang Ming Marine Transport Corporation	"	-	-	-	-	21,299	1,317,141	19,555	1,231,153	1,205,811	25,342	1,744	114,232	
SuperNet	Stock of Sands China Limited	Financial assets at FVTPL - current	-	-	652	45,090	25,844	1,803,502	26,238	1,867,475	1,823,129	44,346	258	26,361	Note 7

Note 1: The securities mentioned in this table refer to stocks, bonds, beneficiary certificates, and securities derived from the items above.

Note 2: For securities recognized as investments accounted for using the equity method, these two columns must be entered, with the remaining columns left blank.

Note 3: The initial amount is the initial investment cost.

Note 4: Accumulated amounts of marketable securities acquired or disposed of shall be calculated separately based on market prices to determine whether they amount to \$300 million or 20% of the paid-in capital.

Note 5: The amount of paid-in capital refers to the amount of paid-in capital of the parent company. If the issuer's stock has no par value or the par value per share is not NT\$10, the transaction amount of 20% of the paid-in capital shall be calculated based on the 10% of the equity attributable to owners of the parent company on the balance sheet.

Note 6: The amount at the end of the period includes unrealized valuation gains and losses at the end of the period.

Note 7: Valued based on the exchange rate as of December 31, 2022.

CMC Magnetics Corporation and Its Subsidiaries
Total Purchases from or Sales to Related Parties Amounting to at least NT\$100 Million or 20% of the Paid-in Capital
January 1 to December 31, 2022

Table 5

Unit: NT\$ thousand (unless otherwise specified)

Company	Counterparty	Relationship	Transaction		Proportion to Total Purchases (Sales)	Credit Period	Situation and Reason that Transaction Conditions are Different from General Ones (Note 1)		Notes/Accounts Receivable (Payable)		Note (Note 2)
			Purchase (Sale)	Amount			Unit Price	Credit Period	Balance	Proportion to Total Notes/ Accounts Receivable (Payable)	
CMC	Fortune (Jiangsu) Multimedia	Subsidiary of sub-subsidiary	Sales	\$ 263,020	8%	As it is between parent and sub- subsidiary, the credit period is slightly longer than that of general customers	Equivalent to non-related party	As it is between parent and sub- subsidiary, the credit period is slightly longer than that of general customers	\$ 147,887	13%	
"	VJP	Sub-subsidiary	Sales	697,635	21%	No significant difference from general transactions	"	No significant difference from general transactions	315,387	27%	
"	VUS	"	Sales	323,427	10%	"	"	"	170,123	14%	
"	VGmbH	"	Sales	401,959	12%	"	"	"	143,143	12%	

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

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

CMC Magnetism Corporation and Its Subsidiaries
Receivables from Related Parties Amounting to at Least NT\$100 Million or 20% of the Paid-in Capital
December 31, 2022

Table 6

Unit: NT\$ thousand (unless otherwise specified)

Company under Trade Receivable	Counterparty	Relationship	Balance of Accounts Receivable from Related Parties	Turnover Rate (Times)	Overdue Receivables from Related Parties		Recovered Amount from Related Party After Balance Sheet Date		Loss Allowance Provided
			(Note 1)		Amount	Treatment methods			
CMC	Fortune (Jiangsu)	Sub-	\$ 147,887	2.64	\$ 22,177	-	\$ -	\$ -	-
"	Multimedia	subsidiary							
"	Sun Well	Subsidiaries	1,095,795	Note 2	-	-	-	-	1,095,795
"	VJP	Sub-	315,387	2.08	204,273	-	182,560		156
"	VUS	subsidiary							
"	VGmbH	Sub-	170,123	1.88	53,098	-	-	-	-
"		subsidiary							
"		Sub-	143,143	3.22	-	-	31,980		-
"		subsidiary							
EMC H	Fortune (Jiangsu)	Sub-	211,728	Note 2	-	-	-	-	-
"	Multimedia	subsidiary							
"	CMC	Ultimate	245,800	Note 2	-	-	-	-	-
"		parent							
"		company							

Note 1: Please enter respectively according to accounts receivable from related parties, notes receivables, other receivables, etc.

Note 2: It is other receivables arising from funds lent, so it is not applicable.

CMC Magnetism Corporation and Its Subsidiaries
Business relations and important transactions between the parent company and its subsidiaries and between subsidiaries and amount
January 1 to December 31, 2022

Table 7

Unit: NT\$ thousand (unless otherwise specified)							
No. (Note 1)	Company	Counterparty	Nature of Relationship (Note 2)	Ledger Account	Amount (Note 6)	Transaction Details	
						Transaction_	Proportion to Total
						Conditions	Consolidated Revenue or Assets (Note 3)
0	CMC	Fortune (Jiangsu) Multimedia	1	Sales	\$ 263,020	Note 4	3.42%
"	"	"	1	Accounts receivable	147,887	Note 4	0.63%
"	"	SunWell	1	Other receivables	1,095,795	Note 5	4.69%
"	"	VJP	1	Sales	697,635	Note 4	9.07%
"	"	"	1	Accounts receivable	315,387	Note 4	1.35%
"	"	VUS	1	Sales	323,427	Note 4	4.20%
"	"	"	1	Accounts receivable	170,123	Note 4	0.73%
"	"	VGmbH	1	Sales	401,959	Note 4	5.23%
"	"	"	1	Accounts receivable	143,143	Note 4	0.61%
1	EMC H	Fortune (Jiangsu) Multimedia	1	Other receivables	211,728	Note 5	0.89%
"	"	CMC	2	Other receivables	245,800	Note 5	1.05%

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

- (1) The parent company is coded "0"
- (2) The subsidiaries are coded sequentially beginning from "1" by each individual company.

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

- (1) Parent to subsidiary
- (2) Subsidiary to parent
- (3) Between subsidiaries

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

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

Note 5: It refers to receivable for funds lent and advance payment receivable.

Note 6: Individual amounts of less than NT\$50,000 will not be disclosed, and transactions between both parties will no longer be disclosed.

CMC Magnetix Corporation and Its Subsidiaries
Information on Name and Location of Investees (Excluding Investees in Mainland China)
January 1 to December 31, 2022

Table 8

Unit: NT\$ thousand (unless otherwise specified)											
Investor	Name of investee (Note 1 and 2)	Location	Principal business	Initial Investment Amount		Held at the End of the Period			Profit or Loss on Investee (Note 2(2))	Investment Gains or Losses Recognized for Current Period (Note 2(3))	Note
				End of Current Period	End of Last Year	Number of Shares	Percentage (%)	Carrying amount			
CMC	EMC H	Cayman Islands	Professional investment company	\$ 10,453,855	\$ 10,453,855	61,527	100.00	\$ 3,475,522	(\$ 290,610)	(\$ 290,610)	Subsidiary of the Company
"	CIA	Cayman Islands	Professional investment company	872,018	872,018	29,688,245	86.35	446,440	49,535	42,773	"
"	CHC	Taiwan	Investment in various production businesses	180,421	180,421	261,595,273	100.00	3,037,693	31,786	31,786	"
"	CMC Movie	Taiwan	Motion picture distribution	1,297,918	1,297,918	35,000,000	100.00	119,790	(1,683)	(1,683)	"
"	CMC Entertainment	Taiwan	Film production and distribution industry	714,888	714,888	66,400,000	100.00	58,664	(2,902)	(2,902)	"
"	Transtouch	Taiwan	Production and sales of touch panels and other products	515,768	515,768	15,353,223	52.60	340,853	(27,577)	(14,315)	"
"	Sun Well	Taiwan	Production and sales of thin-film solar cells	3,516,412	3,516,412	154,991,112	98.82	21,701	(106,314)	(105,059)	"
"	Deltamac	Taiwan	Sale of audio-visual disc products	377,635	377,635	14,892,015	38.91	163,365	(7,347)	(2,825)	"
"	CMC Entertainment Hub	Taiwan	Shopping mall business	260,000	260,000	13,300,000	100.00	54,370	(20,486)	(20,486)	"
EMC H	F5	U.S.	Professional investment company	3,591,096	3,591,096	23,064	100.00	1,205,535	(197,675)	-	Sub-subsidiary of the Company (Note 3)
"	MFLLC	U.S.	Professional investment company	1,283,980	1,283,980	-	100.00	281,721	(95,849)	-	"
"	Jet-Thai	Thailand	Production and sales of optical discs	3,695,664	3,695,664	43,500,400	100.00	18,091	(693)	-	"
"	VJP	Japan	Trading of storage media and electronic products	16,368	16,368	5,900	100.00	41,307	4,987	-	"
"	VAU	Australia	Trading of storage media and electronic products	411,105	411,105	100,000	100.00	337,396	(4,730)	-	"
"	VGmbH	Germany	Trading of storage media and electronic products	731,912	731,912	-	100.00	897,250	28,145	-	"
"	VHK	Hong Kong	Trading of storage media and electronic products	144,364	136,683	1,420,500	100.00	127,840	(11,422)	-	"
"	Others	Others		-	-	-	-	(7,288)	-	-	Note 3

CMC Magnetix Corporation and Its Subsidiaries
Information on Name and Location of Investees (Excluding Investees in Mainland China)
January 1 to December 31, 2022

Table 8

Unit: NT\$ thousand (unless otherwise specified)

Investor	Name of investee (Note 1 and 2)	Location	Principal business	Initial Investment Amount		Held at the End of the Period			Profit or Loss on Investee (Note 2(2))	Investment Gains or Losses Recognized for Current Period (Note 2(3))	Note
				End of Current Period	End of Last Year	Number of Shares	Percentage (%)	Carrying amount			
F5	VUS	U.S.	Trading of storage media and electronic products	\$ 1,418,407	\$ 1,418,407	-	100.00	\$ 1,209,003	(\$ 194,816)	\$ -	Subsidiary of F5, a sub-subsidiary of the Company (Note 3)
VUS	Vexus	U.S.	Trading of storage media	3	-	-	100.00	3	-	\$ -	Subsidiary of F5, a sub-subsidiary of the Company (Note 3)
CIA	SuperNet	British Virgin Islands	Professional investment company	577,337	577,337	5,720,085	100.00	469,642	51,134	\$ -	Sub-subsidiary of the Company (Note 3)
"	Others	Others		-	-	-	-	80,311	-	\$ -	Note 3
CHC	CIA	Cayman Islands	Professional investment company	111,185	111,185	4,692,049	13.65	101,875	49,535	\$ -	Subsidiary of the Company (Note 3)
"	Vie Show Cinemas	Taiwan	Operation and management of cinemas, restaurants, and amusement parks	74,015	14,090	29,962,500	29.96	184,073	(162,362)	\$ -	Investee measured using the equity method by CHC, subsidiary of the Company (Note 3)
"	Others	Others		-	-	-	-	45,016	-	\$ -	Note 3

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

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

- (1) "Name of Investee", "Location", "Principal Business", "Original Investment Cost", and "Holdings, End of Period" shall be entered in order according to the investment situation of the (public) Company and the status of investment by each investee directly or indirectly controlled, and the relationship between each investee and the (public) Company shall be indicated in the Remarks column (e.g., a subsidiary or a sub-subsidiary).
- (2) In the column "Profit or Loss on Investee", the current profit and loss on each investee shall be entered.
- (3) In the column "Investment Gains or Losses Recognized for Current Period", only the profit and loss on each investee directly invested by the (public) Company and each investee measured under the equity method recognized by the Company shall be entered, and the rest of the investees are exempted from disclosed in this regard. Where the "gains and losses on subsidiaries that are invested directly are recognized for the current period," it shall be confirmed that the gains and losses on the subsidiaries have included their investment gains and losses that shall be recognized in accordance with the regulations.

Note 3: CMC Magnetix Corporation did not directly recognize investment gains and losses.

CMC Magnetism Corporation and Its Subsidiaries
Information on Investments in Mainland China - Basic Information
January 1 to December 31, 2022

Table 9

Unit: NT\$ thousand (unless otherwise specified)

Name of Investee in China (Note 4)	Principal business	Paid-in capital	Investment Method (Note 1)	Accumulated Investment Remitted from Taiwan, Beginning of Period	Amount of Investment Remitted or Recovered in Current Period	Accumulated Investment Remitted from Taiwan, End of Period	Investment Gains (Losses) Recognized for Current Period	The Company's Direct or Indirect Ownership (%)	Current Profit or Loss on Investee (Note 2)	Carrying Amount of Investment, End of Period	Accumulated Repatriation of Investment Income as of End of Period	Note
Fortune (Jiangsu) Multimedia Co., Ltd.	Production and sales of optical discs	\$ 1,345,476	2	\$ 1,345,476	\$ -	\$ -	\$1,345,476 (\$ 106,484)	97.00	(\$ 103,289)	\$ 293,757	\$ -	Note 2(2)B
Fortune (Jiangsu) Electronic Materials Co., Ltd.	Production and sale of plastic boxes, boxes, baskets and similar products	531,053	2	531,053	-	-	531,053(7,969)	100.00	(7,969)	113,499	-	"
Nantong Zhongxing Multimedia Co., Ltd.	Production and sales of optical discs	35,678	2	35,678	-	-	35,678 1	49.00	1	8,034	-	"
Sun Biotech Limited (Nantong)	R&D and wholesale of biological probiotics	14,786	2	14,786	-	-	14,786(7,902)	50.00	(3,950)	(22,534)	-	"

Company Name	Accumulated Outward Remittance for Investment in Mainland China, End of Period	Investment Amount Authorized by Investment Commission, MOEA	Limit on Investment Amount Stipulated by Investment Commission, MOEA
CMC Magnetism Corporation	\$ 2,722,590	\$ 4,054,974	\$ 10,118,205

Note 1: There are three types of methods for investment in mainland China. Just enter the code:

- (1) Direct investment in the mainland China
- (2) Indirect investment in mainland China through third-region companies: Investment in companies in mainland China through EMC H.
- (3) Other methods

Note 2: Investment gains (losses) recognized for the current period:

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

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

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

CMC Magnetism Corporation and Its Subsidiaries
Information on Major Shareholders
December 31, 2022

Table 10

Name of Major Shareholders	Shareholding	
	Number of Shares Held	Ownership Percentage (%)
Wong, Ming-Sen	86,459,355	7.93

Note 1: The major shareholders in this table are shareholders holding more than 5% of the ordinary and preference shares (including treasury stocks) that have completed delivery of non-physical registration on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation.

However, share capital recorded in the Company's financial statements and the number of shares actually delivered by the Company with the dematerialized registration completed may differ due to different calculation bases.

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

CMC Magnetics Corporation
Cash and cash equivalents
December 31, 2022

Statement 1

Unit: NT\$ thousand

Items	Summary				Amount
Cash on hand					\$141
Petty cash					130
Bank deposits					
-Checking account deposits					326
-NTD demand deposits					1,002,158
-Foreign currency demand deposits	USD 2,540,716.15	Exchange rate	30.725		78,064
	GBP 74,234.92	Exchange rate	37.07		2,752
	EUR 232,084.7	Exchange rate	32.76		7,603
	JPY 1,637,043	Exchange rate	0.2321		380
	HKD 260,789.67	Exchange rate	3.94		1,028
	CNY 15,558,899.42	Exchange rate	4.411		68,630
- Time deposits					30,000
					<u>\$1,191,212</u>

The time deposits above are all maturing within three months, and the interest rate is approximately 0.88%

CMC Magnetism Corporation
Financial assets at FVTPL - current and non-current
December 31, 2022

Statement 2

Unit: NT\$ thousand

Name of Securities	Summary	Number of Shares/Units	Face value (NT\$)	Total Amount	Interest Rate	Cost of Acquisition	Market price		Guarantee or Pledge
							Unit Price (NT\$)	Total Amount	
Listed stocks - current									
- Taiwan High Speed Rail	Listed stocks (Taiwan Stock Exchange)	40,667,000	\$ 10	\$ 406,670	-	\$ 1,268,332	\$ 28.75	\$ 1,169,176	N/A
-Chateau International Development Co.,Ltd.	"	12,391,421	10	123,914	-	386,649	33.40	413,873	"
- Tainan Enterprises Co., Ltd.	"	13,782,000	10	137,820	-	348,863	20.90	288,044	"
- Yang Ming Marine Transport Corporation	"	10,459,000	10	104,590	-	777,282	65.50	685,065	"
- Evergreen Marine Corporation	"	6,212,000	10	62,120	-	1,326,665	163.00	1,012,556	"
- Others		-	-	-	-	<u>133,121</u>	-	<u>141,015</u>	"
						4,240,912		<u>\$ 3,709,729</u>	
Adjustment to valuation						(531,183)			
						<u>\$ 3,709,729</u>			
Listed stocks - non-current									
- Taiwan High Speed Rail	Listed stocks (Taiwan Stock Exchange)	58,700,000	\$ 10	\$ 587,000	-	\$ 1,830,750	\$ 28.75	\$ 1,687,625	Note
- Farglory Hotel Co., Ltd.	"	5,000,000	10	50,000	-	151,074	32.05	160,250	"
-Chateau International Development Co.,Ltd.	"	3,800,000	10	38,000	-	118,572	33.40	126,920	"
- Others	"	-	-	-	-	<u>6,604</u>	-	<u>54,214</u>	N/A
						2,107,000		<u>\$ 2,029,009</u>	
Adjustment to valuation						(77,991)			
						<u>\$ 2,029,009</u>			

Note: As of December 31, 2022, the Company provided 67,500,000 shares of marketable securities (Carrying amount: NT\$1,974,795) as pledge guarantee.

CMC Magnetics Corporation
Accounts receivable
December 31, 2022

Statement 3

Unit: NT\$ thousand

Customer name	Summary	Amount	Note
Non-related party			
Customer A		\$ 108,387	The balance of each customer in this category did not exceed 5% of the balance of this account
Customer B		52,424	
Customer C		37,125	
Others		<u>220,436</u>	
		<u>418,372</u>	
Related Parties			
Customer D		315,387	The balance of each customer in this category did not exceed 5% of the balance of this account
Customer E		170,123	
Customer F		147,887	
Customer G		143,143	
Others		<u>8,933</u>	
		<u>785,473</u>	
Subtotal		1,203,845	
Less: Allowance for loss		(<u>23,084</u>)	
		<u>\$ 1,180,761</u>	

CMC Magnetics Corporation
Other receivables
December 31, 2022

Statement 4

Unit: NT\$ thousand

Items	Summary	Amount	Note
Non-related party			
Retained receivables on trade receivable factored		\$ 26,122	
Tax refunds receivable		8,638	
Others		<u>12,009</u>	The balance of each item in this category did not exceed 5% of the balance of this account
		<u>46,769</u>	
Related Parties			
Financing receivables - related parties		\$ 1,055,300	
Others		<u>52,073</u>	The balance of each item in this category did not exceed 5% of the balance of this account
		<u>1,107,373</u>	
Subtotal		1,154,142	
Less: Allowance for loss		<u>(1,104,215)</u>	
		<u>\$ 49,927</u>	

CMC Magnetics Corporation
Inventories
December 31, 2022

Statement 5

Unit: NT\$ thousand

Items	Summary	Amount		Note
		Cost	Net realizable value	
Raw materials		\$ 401,286	\$ 389,512	The allowance for inventory valuation losses is based on cost or net realizable value, whichever is lower.
Work-in-progress		489	489	
Finished goods		612,249	745,882	
Merchandise inventory		456,105	595,382	
Inventory in transit		<u>2,201</u>	<u>2,201</u>	
		\$ 1,472,330	<u>\$ 1,733,466</u>	
Less: Allowance for inventory valuation losses		<u>(131,640)</u>		
		<u>\$ 1,340,690</u>		

CMC Magnetics Corporation
Changes in investments accounted for using the equity method
January 1, 2022 to December 31, 2022

Statement 6

Unit: NT\$ thousand

Name of investee	Opening Balance			Increase for the current		Decrease for the current		Closing Balance			Market Value or Net Equity			Note
	Number of Shares	Percentage (%)	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Percentage (%)	Amount	Unit Price (NT\$)	Total Price	Security or Pledge	
CHC International Investment Corporation	261,595,273	100.00	\$3,010,544	-	\$46,397	-	(\$19,248)	261,595,273	100.00	\$3,037,693	\$12.61	\$3,298,692	N/A	
CMC Movie Corporation	35,000,000	100.00	121,891	-	-	-	(2,101)	35,000,000	100.00	119,790	3.38	118,340	"	
CMC Entertainment Holding Corporation	66,400,000	100.00	61,566	-	-	-	(2,902)	66,400,000	100.00	58,664	0.88	58,664	"	
Asia 1 Entertainment Co., Ltd.	11,868,528	93.59	1,696	-	575	-	(2,271)	-	-	-	-	-	"	
Sun Well Solar Corporation	154,991,112	98.82	126,760	-	-	-	(105,059)	154,991,112	98.82	21,701	(6.98)	(1,082,111)	"	
Sun Q Corporation Limited	64,052,000	58.20	(20,412)	-	20,412	-	-	-	-	-	-	-	"	
Transtouch Technology Inc.	15,353,223	52.60	358,368	-	845	-	(18,360)	15,353,223	52.60	340,853	15.40	236,440	"	
CMC Entertainment Hub Corporation	13,300,000	100.00	74,856	-	-	-	(20,486)	13,300,000	100.00	54,370	4.09	54,370	"	
EMC Investment Holding Ltd.	61,527	100.00	3,508,125	-	267,358	-	(299,961)	61,527	100.00	3,475,522	58,346.20	3,589,867	"	
CIA Holding Corp.	29,688,245	86.35	357,078	-	89,894	-	(532)	29,688,245	86.35	446,440	16.97	503,863	"	
Deltamac (Taiwan) Co., Ltd.	14,892,015	38.91	<u>165,244</u>	-	<u>946</u>	-	<u>(2,825)</u>	14,892,015	38.91	<u>163,365</u>	15.15	225,614	"	
			7,765,716		426,427		(473,745)			7,718,398				
			<u>20,412</u>		<u>(20,412)</u>		<u>-</u>			<u>-</u>				
			<u>\$ 7,786,128</u>		<u>\$ 406,015</u>		<u>(\$473,745)</u>			<u>\$ 7,718,398</u>				

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

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

CMC Magnetics Corporation
Long-term borrowings
December 31, 2022

Statement 7

Unit: NT\$ thousand

Lender	Summary	Due Within One Year	Due Beyond One Year	Total	Loan Period	Interest Rate	Security or Collateral	Note
Entie Commercial Bank, Ltd.	Mid-term loan (secured)	\$ -	\$ 800,000	\$ 800,000	2022.08~114.08	Note	Property, plant and equipment	
Taipei Fubon Commercial Bank	Mid-term loan (secured)	-	920,000	920,000	2021.04~2024.04	"	"	
Bank of Taiwan	Mid-term loan (secured)	150,000	-	150,000	2021.09~2023.09	"	"	
The Shanghai Commercial & Savings Bank, Ltd.	Mid-term loan (secured)	300,000	-	300,000	2021.11~2023.11	"	"	
KGI Commercial Bank Co., Ltd.	Long-term borrowings (secured)	300,000	-	300,000	2021.11~2023.11	"	"	
KGI Commercial Bank Co., Ltd.	Long-term borrowings	25,000	-	25,000	2021.11~2023.11	"	Credit	
Sunny Bank Ltd.	Mid-term loan (secured)	170,000	-	170,000	2021.01~2023.01	"	Securities	
Taishin International Bank	Mid-term loan (secured)	-	280,000	280,000	2022.04~2024.04	"	Securities	
Bank Sinopac	Mid-term loan (secured)	-	190,000	190,000	2022.06~2024.06	"	"	
Hua Nan Commercial Bank, Ltd.	Mid-term loan (secured)	-	195,000	195,000	2021.03~2024.03	"	"	
O-Bank Co., Ltd.	Mid-term loan	300,000	-	300,000	2022.06~2024.06	"	Credit	
O-Bank Co., Ltd.	Commercial paper	280,000	-	280,000	2022.06~2024.06	"	Securities	
		<u>\$ 1,525,000</u>	<u>\$ 2,385,000</u>	<u>\$ 3,910,000</u>				

Note: The interest rate range is 1.87% to 2.50%.

CMC Magnetics Corporation
Operating revenue
January 1, 2022 to December 31, 2022

Statement 8

Unit: NT\$ thousand

<u>Items</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Sales revenue	Storage media products	\$ 3,403,188	
Less: Sales return and discount		(1,515)	
		<u>\$ 3,401,673</u>	

CMC Magnetics Corporation
Operating costs
January 1, 2022 to December 31, 2022

Statement 9

Unit: NT\$ thousand

Items	Summary	Amount	Note
Raw materials, beginning of period (inventory in transit)		\$ 475,812	
Add: Purchase of raw materials		1,585,981	
Less: Sale of raw materials	(	4,370)	
Raw materials, end of period (inventory in transit)	(	403,487)	
Others	(	2,476)	
Direct raw materials consumed		1,651,460	
Direct labor		265,483	
Production overheads		767,012	
Less: Unamortized fixed production overheads	(	22,208)	
Production overheads in current period		2,661,747	
Work-in-progress, beginning of period		295	
Less: Work-in-process, end of period	(	489)	
Less: Others	(	270)	
Cost of finished goods		2,661,283	
Finished goods, beginning of period		310,704	
Less: Finished products, end of period	(	612,249)	
Others	(	12,903)	
Cost of self-made products sold		2,346,835	
Merchandise inventory, beginning of period		456,654	
Add: Purchases in current period		433,661	
Less: Merchandise inventory, end of period	(	456,105)	
Cost of merchandise inventory and goods sold		434,210	
Cost of raw materials sold		4,370	
Cost of inventories sold		2,785,415	
Other operating costs		3,421	
Loss on inventory write-down		51,078	
Revenue from sale of tailings and scraps	(	483)	
Unamortized fixed production overheads		22,208	
Cost of goods sold		\$ 2,861,639	

CMC Magnetics Corporation
Production overheads
January 1, 2022 to December 31, 2022

Statement 10

Unit: NT\$ thousand

<u>Items</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Depreciation		\$ 288,807	
Water, electricity, and gas fee		244,122	
Indirect labor		84,339	
Insurance premium		38,512	
Other production overheads		<u>111,232</u>	The balance of each item did not exceed 5% of the amount of this account
		<u>\$ 767,012</u>	

CMC Magnetics Corporation
Selling and marketing expenses
January 1, 2022 to December 31, 2022

Statement 11

Unit: NT\$ thousand

Items	Summary	Amount	Note
Freight charge		\$ 54,239	
Advertising expenses		53,738	
Royalties and export fees		53,483	
Amortization expenses		21,482	
Other expenses		<u>35,493</u>	The balance of each item did not exceed 5% of the amount of this account
		<u>\$ 218,435</u>	

CMC Magnetics Corporation
Administrative expenses
January 1, 2022 to December 31, 2022

Statement 12

Unit: NT\$ thousand

<u>Items</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Salaries and wages		\$ 44,514	
Entertainment fee		24,241	
Service fees		16,601	
Tax expense		15,041	
Utility fees		9,071	
Other expenses		<u>28,547</u>	The balance of each item did not exceed 5% of the amount of this account
		<u>\$ 138,015</u>	

CMC Magnetics Corporation
Research and development expenses
January 1, 2022 to December 31, 2022

Statement 13

Unit: NT\$ thousand

Items	Summary	Amount	Note
Testing expense		\$ 93,642	
Depreciation		86,785	
Salaries and wages		37,935	
Utility fees		19,856	
R&D material		14,041	
Other expenses		<u>58,241</u>	The balance of each item did not exceed 5% of the amount of this account
		<u>\$ 310,500</u>	