

Stock Code: 2323



CMC Magnetics Corporation

2023 Annual Report

Published on April 16, 2024

Information available on TWSE: <https://mops.twse.com.tw>

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

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

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

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Chapter I Letter to Shareholders

Looking back at 2023, the impact of high-interest rates and high inflation on the global economy. With resolute determination and collective effort, we successfully overcame all challenges. For the fiscal year 2023, our consolidated revenue reached approximately NT\$7.38 billion, and the consolidated gross profit margin increased to 23%, up by about 4% from the previous year, indicating gradual benefits from operational optimization and value transformation. Additionally, our consolidated current ratio stood at 441%, quick ratio at 353%, and debt ratio at 26%. With an excellent financial structure, abundant working capital, and highly liquid current assets provide ample growth momentum for business development.

In terms of Group business performance, aside from maintaining the global market leadership in disc manufacturing, our brand business, the Verbatim brand business has seen a growing share of revenue year by year, with the business landscape diversifying and developing steadily. Last year, the Verbatim brand achieved significant sales success in SSD products, which led to a substantial increase in revenue. Additionally, it continued to launch a variety of innovative new products, including Bluetooth trackers and GaN chargers, as well as other mobile and computer peripheral accessories.

Looking ahead, with the expansion of our product lines and the enhancement of our global sales channels, the Group's operations are expected to continue to grow and develop positively.

The reports on the operation in 2023 and the future planning direction are made in the following:

I. Business Performance and Achievements in 2023

(I) Implementation results of the business plan:

The consolidated net operating income of the Company in 2023 was NT\$7,384,447 thousand (the same below), a decrease of 4% from the same period last year, and operating margin increased by 13% from the same period last year. The net profit for the period was NT\$1,759,237 thousand, and the net profit attributable to the parent company was NT\$1,750,238 thousand.

(II) Financial income and expenditure:

The net cash inflow from operating activities of the Company's consolidated statement in 2023 was NT\$691,360 thousand, net cash outflow from investment activities was NT\$307,025 thousand, and net cash outflow from financing activities was NT\$241,376 thousand. The positive impact of exchange rate changes on cash and cash equivalents was NT\$36,671 thousand and the overall financial income and expenditure situation was a net increase of NT\$179,630 thousand in cash and cash equivalents.

(III) Analysis on profitability:

Item	2023	2022
Return on Assets (ROA) (%)	7.51	(4.34)
Return on Equity (ROE) (%)	9.86	(6.13)
Ratio of Operating Income to Paid-in Capital (%)	(3.17)	(4.86)
Ratio of Pretax Net Income to Paid-in Capital (%)	16.56	(8.60)

Net Profit Margin (%)	23.82	(14.08)
Earnings Per Share (NT\$)	1.61	(0.95)

(IV) Research and development status:

Please refer to page 90 of this annual report for the Company's technology and research status

II. Summary of 2024 Business Plan and Future Development Strategies are as follows:

(I) Strengthening brand image and marketing channels

By integrating Verbatim's global marketing resources and strategies, standardizing packaging designs to create a consistent brand visual identity. In 2024, a new brand logo will be launched, aiming to enhance the brand's appeal and emotional connection with younger demographics through a friendly and humanized brand image.

Furthermore, in addition to solidifying our existing physical retail channels, we are continuously strengthening our online sales channels to increase brand exposure and market penetration. By employing a comprehensive sales strategy, we aim to expand our brand influence and further increase our global market share.

(II) Accelerating product development and enhancing product competitiveness

CMC has integrated global research and development and procurement resources to promptly bring the latest products to market. Among these, the application of AI server and AI storage technologies is considered a key area. Through collaboration with renowned European manufacturers, we not only enhance the artificial intelligence capabilities of new products but also meet the growing market demand. Additionally, by leveraging the Group's unified procurement, we not only reduce procurement costs but also ensure product quality, further enhancing our product competitiveness.

(III) Strategic diversified investment

CMC Group is committed to pursuing long-term development. Through multiple strategic investments, not only in industries like the Internet of Things and advanced biotechnology but also incorporating AI servers and AI storage technologies into its investment plans, CMC aims to develop more innovative and high-value-added products. These investments not only demonstrate CMC's ambition for future growth but also reflect a keen insight into market trends.

(IV) Environmental sustainability action

In pursuit of sustainable development, CMC has fulfilled its responsibility to protect the environment by reducing the impact of greenhouse gas emissions on the environment and climate. CMC has completed the greenhouse gas inventory for the year 111 based on the ISO 14064-1:2018 standard. We will continue to promote energy conservation and carbon reduction policies to fulfill CMC's corporate responsibility.

We would like to thank our shareholders for their continued support and confidence in our

Company. It is because of you that we are able to continue to evolve and innovate in this highly competitive marketplace. Our management team will continue to work tirelessly to improve the Company's performance.

Best Regards,

We wish you all good fortune and health.

Chairman: Wong, Ming-Sen



Chapter II Company Profile

I. Establishment date

December 2, 1978

II. Company History

- 1978
 - CMC Magnetics Corporation was founded
 - Company registered at 6F, No.63-1, Sec. 1 ChangAn E. Rd., Taipei City
 - First factory established at No. 433, MingAn Rd., Xinzhuang City, New Taipei City
 - Registered Capital: NT\$10,000,000
 - Production items: Audio cassette, video tapes, etc.
- 1991
 - Leased Taoyuan factory and added new video assembly line
 - Researched and developed 8mm videotape, 3D surround sound, wireless headsets, compact discs, and other products to initiate diversification business
 - Approved by the Securities and Exchange Commission for stock listing
- 1992
 - Leased Xindian factory and added automatic disk assembly line
 - Stock officially listed on February 17
 - Leased Jingling 3rd factory and added disk assembly line
- 1994
 - Awarded with ISO9002 international certification
- 1995
 - Zhongli new factory completed and began mass production
- 1996
 - Successfully developed CD-Recordable disc (CD-R) and proceeded with mass production in December.
- 1997
 - Purchased a land at LinKou for plant construction to expand the CD-R and non-analog optical disc product facilities 2,407 square meters
 - Leased Jinling 2nd factory for an additional disc box and magnetic disc lining cloth production line
 - Successfully launched DVD recordable production line
 - Honorably ranked by Forbes Magazine as No.21 of the Global Top 100 SMB Enterprise in 1997
- 1998
 - Obtained the film distribution agency of NEW LINE Cinema and began business in the film and media industry
 - Formed strategic alignment with Japan Mitsubishi company and Verbatim, a subsidiary of Mitsubishi in the United States
 - Obtained ISO9002 certification on CD-R as the first ever manufacturing factory in Taiwan
- 1999
 - 8X CD-R proceeded mass production, and the quality was certified by Japanese vendor partners
 - Signed alliance contract with Pioneer Japan, for an exclusive partnership of DVD recordable products with CMC
 - CMC independently and successfully developed 3.95GB DVD recordable product
 - Officially launched New MP3PLAYER player product launched in November

- 2000
 - Obtained ISO 9002 certification on CD-R
 - CMC received the 9th place of “Taiwan’s Golden Tech Jobs” by International Institute for Management Development (IMD)
 - CMC was awarded by Common Wealth Magazine as “#1 of Taiwan’s Top 100 Best Technology Company”
 - Received “High-speed CD-RW and DVD-R” Industry Contribution Award from the Taiwan Association for Magnetic Technology (R.O.C)
 - Launched CyberBoy, the world's first single-chip multimedia PDA device, and officially entered IA IT appliances industry
 - Established a joint venture Transtouch Technology Inc. with Fujitsu (Japan) to manufacture LCD Touch Panel in Taiwan
- 2001
 - Successfully launched DVD-RAM 4.7GB/9.4GB CD-RW
 - Successfully launched 4.7GB DVD-R
 - Launched and showcased the first “SimplePDA” with a full Chinese operating system
 - Launched #1 export brand “Mr. Data” in Taiwan market
 - Dazhu factory received CD-P (CDJewel case) ISO9002 certification
 - Obtained Patent on Low-Profile Compact Disk Case
 - Obtained Patent on Compact Disc Container with Locking Tube
 - LinKou Industrial Zone obtained ISO9002 certification on stampers for CD-R/RW, CD-ROM, and DVD-ROM manufacturing
 - 16X, 20X and 24X CD-R passed the industry-leading compatibility with global popular recorders/players, and are recommended by recorder makers
- 2002
 - DVD-RAM 4.7GB version 21 obtained compatibility test certification from DVD Forum Class A Verification Laboratory.
 - DVD-R 4.7GB 1 obtained compatibility test certification from DVD Forum Class A Verification Laboratory.
 - DVD-R 4.7GB 2X recording obtained product verification from Pioneer, taking leadership position among Taiwanese manufacturers
 - DVD+RW 4.7GB 1-24X recording obtained product verification from Philips, taking leadership position among Taiwanese manufacturers
 - DVD-RW 4.7GB version 11 optical disc obtained compatibility test certification from internationally renowned disc player manufacturers
 - Deltamac (Taiwan) Co., Ltd. was listed in the OTC of Taiwan on January 23
 - LinKou factory obtained ISO9001: 2000 certification
 - Certified as the “Top 500 Excellent Import & Export Vendor of 2001” by the Ministry of Economic Affairs, R.O.C
 - Ranked as No.30 of the Best Import & Export Performance Vendor of 2001 by the Ministry of Economic Affairs, R.O.C
 - Honorably listed as Taiwan 50 Index in TSEC
 - Obtained the 10th award for industrial technology advancement granted by the Ministry of Economic Affairs, R.O.C
 - 32X, 40X, 48X and 52X CD-R were well compatible with global famous recorders/players and recommended by popular recorder makers

- 2003
 - Established CMC Nano-Technology R&D Department
 - DVD+R 4.7GB 24X and 4X obtained product verification from Philips, taking leadership position among Taiwanese manufacturers
 - DVD-R 4.7GB 4X recording obtained product verification from global popular recorder makers
 - CD-RW Ultra Speed 24X obtained product verification from Philips, taking leadership position among Taiwanese manufacturers
 - CMC received IRMA (International Recording Media Association) certified plant on pre-recorded media
 - CMC Culture Foundation was awarded with the 6th Arts & Business Awards by Taiwan Council for Cultural Affairs
- 2004
 - Received the 2nd Golden Root Award by the Taiwan Industrial Technology Association
 - DVD+R 4.7GB 8X obtained product verification from Philips, taking leadership position among Taiwanese manufacturers
 - Received Vendor Excellence Award from Taiwan Photonics Society
 - DVD+R Part 1, Single Layer, 4.7GB 16X obtained product verification from Philips, taking leadership position among Taiwanese manufacturers
 - DVD+R Part 2, Dual Layer, 8.5GB 24X obtained product verification from Philips, taking leadership position among Taiwanese manufacturers
- 2005
 - Formed “Mobile TV Strategic Alliance” with Nokia, local Taiwanese broadcasters, radio stations, and telecommunicators, to develop DVB-Handheld cable TV platform.
 - Received the 2nd Information Storage Industry Contribution Award from TISA
 - Received 2005 Vendor Excellence Award from Taiwan Photonics Society
- 2006
 - CMC 's IA products – Portable Karaoke Station, MP3 Player, and PAV portable audio & video player–were awarded with the Best Golden Diamond Product Award from the Republic of China Consumers Association
 - DVD+R Part 2, Dual Layer, and 8.5GB 8X media obtained product verification and full certification from Philips Format Verification Laboratory
 - DVD-R Dual Layer, 8.5GB 4X media obtained product verification and full certification from Class-A Verification Laboratory
 - HD DVD-R 15GB 1X SL Blu-ray media obtained the world’s only product verification from Class-A Verification Laboratory
 - CMC Culture Foundation Received the 8th Arts & Business Award from the Council for Cultural Affairs, Executive Yuan (Taiwan, R.O.C)

- 2007
 - BD-R SL 1-2X obtained Product Verification from Class-A Verification Laboratory, taking leadership position among Taiwanese manufacturers
 - LinKou factory obtained OHSAS 18001:1999 certification
 - ZhongLi Plant obtained OHSAS 18001:1999 certification
 - 8cm DVD+R Dual Layer 2.6GB 24X media obtained product verification and full certification from Philips Standards & Format Verification Laboratory
 - DVD-R Dual Layer 8.5GB 8X media obtained product verification and full certification from Class-A Verification Laboratory
 - BD-RE SL 1-2X obtained Product Verification from Class-A Verification Laboratory, taking leadership position among Taiwanese manufacturers
 - HD DVD-R Single Layer 15GB 2X Blu-ray obtained product verification from Class-A Verification Laboratory
 - BD-R SL 4X obtained product verification from Class-A Verification Laboratory, taking leadership position among Taiwanese manufacturers
 - Received 2006 Golden Trade Award and ranked as No. 52 of the “Best Import & Export Performance Vendor” as well as “Top 500 Excellent Import & Export Vendor of 2006” by the Ministry of Economic Affairs, R.O.C
 - HD DVD-R Single Layer 15GB 2X Blu-ray obtained product verification from Class-A Verification Laboratory
- 2008
 - BD-R 25GB 6X media obtained product verification from Philips Standards & Format Verification Laboratory.
 - BD-ROM SL media obtained product verification from Philips Standards & Format Verification Laboratory.
 - Taiwan Chi Yuan Culture Foundation was awarded with the 9th Arts & Business Awards by the Taiwan Council for Cultural Affairs
- 2009
 - CMC was awarded the 7th Annual Taiwan Golden Root Award by TITA
 - DVD-R CSS download EST type obtained Product Verification from Class-A Verification Laboratory and Certification for Compatibility from Drive Manufacturers
 - Awarded with “Best Employer of 2009” by Taoyuan, Hsinchu and Miaoli Employment Services Center, Vocational Training Bureau, Council of Labor Affairs, Executive Yuan
 - Awarded with the 3rd Magistrate Evergreen Business Excellent Awards
 - Received 2008 Golden Trade Award and ranked as No. 79 of the “Best Import & Export Performance Vendor” as well as “Top 500 Excellent Import & Export Vendor of 2008” by the Ministry of Economic Affairs, R.O.C.
- 2010
 - The shares of Transtouch Technology Inc. were officially listed on April 28
 - BD-R 6X DL received the disc factory product compatibility certification
 - BD-R DL 6x-speed 50GB media received product verification from Blu-ray Disc Association
 - Received 2009 Golden Trade Award and ranked as No. 66 of the “2009 Best Import & Export Performance Vendor” as well as “Top 500 Excellent Import & Export Vendor of 2009” by the Ministry of Economic Affairs, R.O.C.

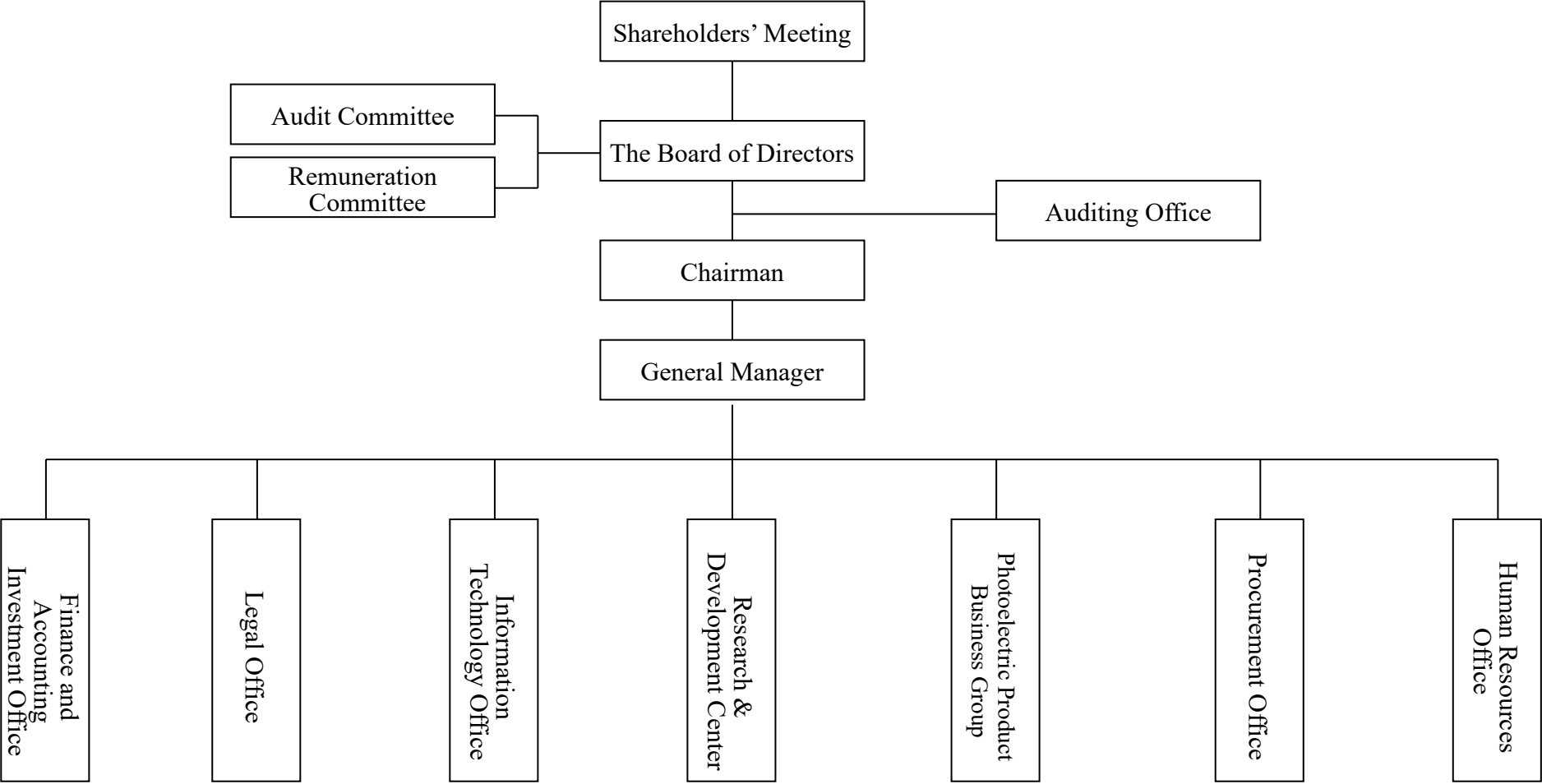
- 2011
 - BD-R from LinKou 3rd Plant received PAS 2050:2008 product carbon footprint verification certificate
 - CMC Blu-ray discs (BD-R 6X SL) passed the ambient temperature 80°C/80RH% humidity/750hr durability test from TÜV Rheinland Group. Test result shows that CMC Blu-ray disc data storage is valid at room temperature (25°C) for 50 years
 - BD-R DISC received Carbon Footprint label certifications from Taiwan Electrical and Electronic Manufacturers' Association's (TEEMA)
- 2012
 - Obtained ISO14064-1 greenhouse gas certification in Linkou 3rd Plant
 - CMC Blu-ray discs (BD-R 6X SL) passed the ambient temperature 80°C/80RH% humidity/900hr durability test from TÜV Rheinland Group. Test result shows that CMC Blu-ray disc data storage is valid at room temperature (25°C) for 70 years
 - CMC Blu-ray discs (BD-RE 2X SL) passed the ambient temperature 80°C/80RH% humidity/600hr durability test from TÜV Rheinland Group. Test result shows that CMC Blu-ray disc data storage is valid at room temperature (25°C) for 30 years
 - DVDR from LinKou 3rd Plant, LinKou 2nd plant, ZhongLi 1st plant, and YangMei 2nd plant received PAS2050:2011 product carbon footprint verification certificate
 - CMC Blu-ray discs (BD-R 6X DL) passed the ambient temperature/80RH% humidity/600hr durability test from TÜV Rheinland Group. Test result shows that CMC Blu-ray disc data storage is valid at room temperature (25°C) for 30 years
- 2013
 - CMC DVDR received Carbon Footprint label certifications from Taiwan Electrical and Electronic Manufacturers' Association's (TEEMA)
 - CMC Culture Foundation was awarded the certificate of appreciation from Eden Social Welfare Foundation
- 2014
 - CMC Magnetics Corp. acquired the occupational safety certificate of merit award of the North District Association of the Occupational Safety and Health Administration, Ministry of Labor.
- 2015
 - 5 factories under CMC Magnetics Corp. passed the healthy workplace authentication by the Health Promotion Administration, Ministry of Health and Welfare
- 2016
 - Received the 1st Safety and Health Award in 2016 by the Department of Labor, Taoyuan City Government
- 2017
 - CMC Magnetics Provided long-term sponsorship to the cultural industry (including chess institutes and art and culture organizations), and was awarded the 13th Arts & Business Awards by the Taiwan Council for Cultural Affairs
- 2018
 - Archival Disc passed ISO16963 international certification
- 2019
 - BD-R XL 4x-speed 100GB media profile received verification from Blu-ray Disc Association
 - Acquired the business of the world renowned storage media brand Verbatim subsidiaries in America, Europe, Australia, and Hong Kong for 100% shareholding, patent, trademarks, technology, and channels, etc.

- 2020 · Verbatim GmbH officially launched the E-sports brand "SUREFIRE" in Europe, providing storage and accessories products for electronic sports games
- 2021 · CMC Magnetics Provided long-term sponsorship to the cultural industry (including chess institutes and art and culture organizations), and was awarded the 15th Arts & Business Awards by the Taiwan Council for Cultural Affairs
- 2022 · The antibacterial optical discs of CMC Magnetics Corporation obtained the certification by Society of International Sustaining Growth for Antimicrobial Articles (SIAA)
- 2023 · CMC Magnetics provided long-term sponsorship to the cultural industry (including chess institutes and art and culture organizations), and was awarded the 16th Arts & Business Awards by the Taiwan Council for Cultural Affairs

Chapter III Corporate Governance Report

I. Organization

(I) Organization Chart of the Company



(II) Department Functions

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

(III) Functional Committees

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

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

(I) Director:

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

April 16, 2024

Position	Nationality/Place of Registration	Name	Gender Age (Note 1)	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse and Minor's Current Shareholding		Shareholding by Nominees		Major Experience (Education)	Other Position Concurrently Held at the Company and Other Companies (Note 2)	Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship			Note	
							Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership			Position	Name	Relationship		
Chairman	R.O.C.	Wong, Ming-Sen	Male 81~90	20210723	3	19781202	91,978,038	7.94%	86,459,355	7.94%	Spouse 27,792,318	2.55%	0	0%	Agricultural Engineering Department of National Taiwan University	Chairman and Director of the partial subsidiaries of CMC Group, Legal Representative of Chung-Hsin Electric & Machinery Manufacturing Corp and Château Capital Group	Senior Deputy General Manager	Yang, Li-Jung	Spouse	Second-degree relative	None
Director	R.O.C.	Yang, Ya-Hsiu	Female 71~80	20210723	3	20000614	9,612,762	0.83%	9,317,996	0.86%	0	0%	0	0%	Commercial Department of National Taiwan University	Director of the partial subsidiaries of CMC Group	None	None	None	None	None
Director	R.O.C.	Tseng, Yi-An	Male 51~60	20210723	3	20030513	1,132,206	0.10%	1,064,273	0.10%	0	0%	0	0%	Department of Information Engineering, Chun Yuan Christian University	None	None	None	None	None	None
Director	R.O.C.	Tsai, Tsung-Han	Male 51~60	20210723	3	20030513	1,531,201	0.13%	1,439,328	0.13%	0	0%	0	0%	Department of Chemistry, University of California, Berkeley School of Dental Medicine, TUFTS University	None	None	None	None	None	None

Position	Nationality/Place of Registration	Name	Gender Age (Note 1)	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse and Minor's Current Shareholding		Shareholding by Nominees		Major Experience (Education)	Other Position Concurrently Held at the Company and Other Companies (Note 2)	Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship			Note	
							Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership			Position	Name	Relationship		
Director	R.O.C.	Tsai Wong, Ya-Li	Female 81~90	20210723	3	20090616	1,394,974	0.12%	1,311,275	0.12%	0	0%	0	0%	National Tainan Girls' Senior High School	None	Chairman	Wong, Ming-Sen	Second-degree relative	None	
Independent Director	R.O.C.	Shiau, Fung-Shyung	Male 71~80	20210723	3	20110615	0	0%	0	0%	0	0%	0	0%	Ph.D. in economics conferred by Chinese Culture University	Independent Director of Wayi International Digital Entertainment Co., Ltd., Supervisor of China City	None	None	None	None	None
Independent Director	R.O.C.	Wu, Cheng-Hsiu	Male 81~90	20210723	3	20110615	0	0%	0	0%	0	0%	0	0%	Passed Higher Examination for Lawyers	None	None	None	None	None	None
Independent Director	R.O.C.	Lee, Ming-Yen	Female 61~70	20210723	3	20150602	0	0%	0	0%	0	0%	0	0%	Finance & Legal Science Major at Department of Law in Fu Jen Catholic University	Special Assistant to Chairman of Premier Capital Management Corp., Director of Sunriser Medical Co., Ltd., Supervisor of Premier Assets Management Corporation	None	None	None	None	None

Note 1: Their actual ages are listed and expressed in a range manner such as 41 to 50 years old or 51 to 60 years old... and so on.

Note 2: Please refer to page 338 for the concurrent positions in the related enterprises.

Note 3: Where the Chairman of the Board of Directors and the General Manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given the related information of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (ways such as appointing Independent Directors, and a majority of the Directors may not serve concurrently as an employee or managers): Not applicable.

2. Professional knowledge, diversification policy and independence of the board of directors:

(1) Disclosure of professional qualifications of directors and independence of independent directors:

Qualifications Name	Professional qualifications and experience (Note 1)	Status of independence (Note 2)	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
Wong, Ming-Sen	Department of Agricultural Engineering, National Taiwan University, specializing in electronic industry operations and operation planning, and investment management. Has been engaged in the operation and management of the storage media business for more than four decades, and holds directorships across industries on top of being the Chairman/Director of the Company of CMC Group (including the Company and some subsidiaries).	Not under any of the categories stated in Article 30 of the Company Act.	None
Yang, Ya-Hsiu	Department of Business Administration, National Taiwan University, is familiar with the technological development of the electronic industry, having specialized in the storage media business for nearly 40 years. Served as Director of CMC Group (including the Company and some subsidiaries).	Not under any of the categories stated in Article 30 of the Company Act.	None
Tseng, Yi-An	Department of Information Engineering, Chun Yuan Christian University, proficient in factory practical experience, production and quality management.	Not under any of the categories stated in Article 30 of the Company Act.	None

Qualifications Name	Professional qualifications and experience (Note 1)	Status of independence (Note 2)	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
Tsai, Tsung-Han	Department of Chemistry, University of California, Berkeley, prominent personage of society, proficient in corporate governance.	Not under any of the categories stated in Article 30 of the Company Act.	None
Tsai Wong, Ya-Li	National Tainan Girls' Senior High School, proficient in investment management and corporate sustainability development.	Not under any of the categories stated in Article 30 of the Company Act.	None
Shiau, Fung-Shyung	Ph.D. in Economics, Chinese Culture University, and Master of Economics, Yale University, USA, specializing in industrial analysis, operational judgment, accounting and financial analysis. Former Vice Chairman of Council for Economic Planning and Development, Executive Yuan, and Dean of Tamkang University Business School. Honorary professor of Tamkang University.	(1) Not an employee of this Company or its affiliates. (2) Not a Director or Supervisor of the Company's affiliates. Not applicable in cases where the person is an Independent Director of the Company's parent company or any subsidiary appointed in accordance with the Regulations Governing the Appointment of Independent Directors and Compliance Matters for Public Companies or other local laws and regulations. (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or is ranked in the top 10 in shareholdings.	1
Wu, Cheng-Hsiu	Passed Higher Examination for Lawyers, Executive Lawyer of Taipei Bar Association, former President of Ming De Law Office, Legal advisor to Lih Pao Construction Co., Ltd.	(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the above persons in the preceding three subparagraphs.	None
Lee, Ming-Yen	Department of Financial & Economic Law, Fu Jen School of Law, served as Special Assistant to Chairman of Premier Capital Management Corp., possesses experience in	(5) Not a Director, Supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among the top 5 in shareholdings, or that designates its representative to serve as a Director or Supervisor of the	None

Qualifications Name	Professional qualifications and experience (Note 1)	Status of independence (Note 2)	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
	financial and investment management.	<p>Company under Paragraph 1 or 2, Article 27 of the Company Act (except for an Independent Director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).</p> <p>(6) Not a Director, Supervisor or employee of a company controlled by the same person who has shares over half of the Company's Director seats or voting rights (except for an Independent Director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).</p> <p>(7) Not a Chairman, General Manager, or employee of another company or institution who, or whose spouse, is a Director, Supervisor, or employee holding an equivalent position of the Company (except for an Independent Director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).</p> <p>(8) Not a Director, Supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company (except for a specific company or institution holding more than 20% but less than 50% of the total issued shares of the Company and concurrently serving as an Independent Director, as appointed in accordance with the Act or the laws and regulations of the local country, at the Company and its</p>	

Qualifications Name	Professional qualifications and experience (Note 1)	Status of independence (Note 2)	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
		<p>parent or subsidiary or a subsidiary of the same parent).</p> <p>(9) Not a professional individual, sole proprietorship, partnership, owner of a company or institution, partner, Director, Supervisor, manager or spouse thereof that provides auditing service for the Company or any of its affiliates, or provides commercial, legal, financial, or accounting service with cumulative remuneration less than NT\$500,000 in the past two years. However, this does not apply in cases where members of the Remuneration Committee, the Review Committee for Public Tender Offer or the Special Committee for Mergers and Acquisitions perform their functions in accordance with the Securities and Exchange Act or the Business Mergers and Acquisitions Act.</p> <p>(10) Not having a marital relationship, or a relative within the second degree of kinship to any other Director of the Company.</p> <p>(11) Not under any of the categories stated in Article 30 of the Company Act.</p> <p>(12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.</p>	

Note 1: Professional qualifications and experience: Specify the professional qualifications and experience of each director and supervisor. If a member of the Audit Committee, specify their accounting or finance background and work experience. Additionally, specify whether any circumstance under any subparagraph of Article 30 of the Company Act exists with respect to a director or supervisor.

Note 2: Describe the status of independence of each independent director, including but not limited to the following: did they or their spouse or any relative within the second degree serve as a director, supervisor, or employee of the Company or any of its affiliates; specify the number and ratio of shares of the Company held by the independent director and their spouse and relatives within the second degree (or through nominees); do they serve as a director, supervisor, or employee of any company having a specified relationship with the Company (see Article 3, paragraph 1, sub-paragraphs 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies); specify the amount(s) of any pay received by the independent director for any services such as business, legal, financial, or accounting services provided to the Company or any affiliate thereof within the past two years.

Note 3: Regarding the method for disclosure, please refer to the "SAMPLE ANNUAL REPORT" page on the website of the Taiwan Stock Exchange Corporate Governance Center.

(2) Diversity and independence of the Board of Directors:

1. Diversity of the Board of Directors:

The Company has established a Corporate Governance Best Practice Principles which stipulated a diversity policy. The Company's Articles of Association have stipulated a candidate nomination system shall be adopted for the election of directors to ensure the diversity and independence of directors, and in order to implement the policy of promoting gender equality, the ratio target of female directors is set at above 25%. The re-election of nine directors (including 3 independent directors) was completed for the Company's 15th Board of Directors, and the management target was achieved with a ratio of female directors at 33%. At present, there are 8 directors in the Board with one vacant seat, five directors are over 70 years old, one is between 60 to 69 years old and two are between 50 to 59 years old. The nationality of all eight directors is the Republic of China.

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

2. Independence of The Board of Directors:

The Company has nine directors, two of whom serve as employees, and among the three independent directors, Mr. Shiau, Fung-Shyung, who holds a Master's degree in Economics conferred by Yale University and has served as the Vice Chairman of Council for Economic Planning and Development, Executive Yuan, Dean and honorary professor of Tamkang University Business School. Independent director Wu, Cheng-Hsiu passed higher examination for lawyers, has a legal professional background and can provide legal advice. Independent director Lee, Ming-Yen possesses financial law expertise and can provide advice on corporate governance and law compliance. The proportion of independent directors is 33% while the proportion of directors serving as employees is 22%. No more than half of the directors are spouses or relatives within the second degree of kinship, hence complying with the Article 26-3, paragraphs 3 and 4 of the Securities and Exchange Act.

(II) General Manager, Deputy General Managers, Assistant Managers, and the Heads of Each Department and Branch:

April 16, 2024

Position	Nationality	Name	Gender	Date of appointment (R.O.C.)	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Major Experience (Education)	Other Position Concurrently Held at Other Companies (Note 3)	Manager who Are Spouses or within the Second Degree of Kinship			Note
					Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership			Position	Name	Relationship	
Chairman and Chief Strategy Officer	R.O.C.	Wong, Ming-Sen(Note 1)	Male	19781202	86,459,355	7.94%	spouse 27,792,318	2.55%	0	0%	Agricultural Engineering Department of National Taiwan University	Chairman and Director of the partial subsidiaries of CMC Group, Legal Representative of Chung-Hsin Electric & Machinery Manufacturing Corp and Château Capital Group	Senior Deputy General Manager	Yang, Li-Jung	Spouse	None
General Manager	Japan	Sekiyama Takayuki(Note 1)	Male	20231225	0	0.00%	0	0%	0	0%	OSAKA SANGYO UNIVERSITY	Director of the partial subsidiaries of CMC Group	None	None	None	None
Executive Deputy General Manager	R.O.C.	Yang, Ya-Hsiu	Female	19850502	9,317,996	0.86%	0	0%	0	0%	Commercial Department of National Taiwan University	Director of the partial subsidiaries of CMC Group	None	None	None	None
Senior Deputy General Manager	R.O.C.	Yang, Li-Jung	Female	19781202	27,792,318	2.55%	spouse 86,459,355	7.94%	0	0%	Department of Chinese Language and Literature, National Chung Hsing University	Director of the partial subsidiaries of CMC Group	Chairman and Chief Strategy Officer	Wong, Ming-Sen	Spouse	None
Chief Financial Officer	R.O.C.	Chen, Chun-Wei	Male	20160915	0	0.00%	0	0%	0	0%	Corporate Research Institute of Pace University	Director of the partial subsidiaries of CMC Group	None	None	None	None
Accounting Controller	R.O.C.	Lee, Yung-Chih	Male	20230821	0	0.00%	0	0%	0	0%	Department of Accounting, Feng Chia University	None	None	None	None	None
Assistant Vice President	R.O.C.	Zheng, Hsiang-Wen (Note 2)	Male	20211111	0	0.00%	0	0%	0	0%	Department of Foreign Languages and Literatures, College of Liberal Arts, National Taiwan University	None	None	None	None	None
Accounting Controller	R.O.C.	Cheng, Kai-Ling (Note 2)	Female	20220812	0	0.00%	0	0%	0	0%	Department of Industrial Economics, Tamkang University	None	None	None	None	None

Note 1: On November 10, 2023, the Board of Directors resolved, in response to the Company's operational needs, to reassign Wong, Ming-Sen from his position as General Manager to appoint Sekiyama Takayuki, the Deputy General Manager, as the new General Manager of the Company, effective from December 25, 2023.

On January 26, 2024, the Board of Directors resolved to appoint Mr. Wong, Ming-Sen as the Company's Chief Strategy Officer.

Note 2: Assistant Vice President Zheng, Hsiang-Wen resigned on June 12, 2023, and Accounting Controller Cheng, Kai-Ling retired and resigned on August 21, 2023.

Note 3: Please refer to page 338 for the concurrent positions in the related enterprises.

Note 4: Where the Chairman of the Board of Directors and the General Manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given the related information of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (ways such as appointing Independent Directors, and a majority of the Directors may not serve concurrently as an employee or managers): None.

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

(I) Compensation of Directors (including Independent Directors)

Unit: NT\$ thousands

Position	Name	Remuneration Paid to Directors						The sum of A, B, C and D in proportion to Earnings After Tax (%) (Note 10)	Relevant Remuneration Received by Directors who Are Also Employees								Ratio of Total Remuneration (A+B+C+D+E+F+G) to Net Income (%) (Note 10)	Remuneration from Invested Business or Companies Other than Subsidiaries (Note 11)				
		Remuneration (A) (Note 2)		Severance Pay and Pension (B)		Remuneration of Directors (C) (Note 3)			Business execution expenses (D) (Note 4)	Salaries, bonus and special subsidies (E) (Note 5)		Severance Pay and Pension (F)		Remuneration of Employee (G) (Note 6)								
		The Company	All Companies in the Financial Statements (Note 7)	The Company	All Companies in the Financial Statements (Note 7)	The Company	All Companies in the Financial Statements (Note 7)			The Company	All Companies in the Financial Statements (Note 7)	The Company	All Companies in the Financial Statements (Note 7)	The Company		All Companies in the Financial Statements (Note 7)			The Company	All Companies in the Financial Statements (Note 7)		
Cash amount	Stock amount	Cash amount	Stock amount	Cash amount	Stock amount	Cash amount	Stock amount	Cash amount	Stock amount	Cash amount	Stock amount	Cash amount	Stock amount	Cash amount	Stock amount							
Director	Wong, Ming-Sen	0	0	0	0	200	200	120	120	320 0.02%	320 0.02%	4,315	4,315	0	0	0	0	0	0	4,635 0.26%	4,635 0.26%	None
Director	Yang, Ya-Hsiu	0	0	0	0	200	200	120	120	320 0.02%	320 0.02%	5,194	5,194	108	108	0	0	0	0	5,622 0.32%	5,622 0.32%	None
Director	Tseng, Yi-An	0	0	0	0	200	200	120	120	320 0.02%	320 0.02%	0	0	0	0	0	0	0	0	320 0.02%	320 0.02%	None
Director	Tsai, Tsung-Han	0	0	0	0	200	200	120	120	320 0.02%	320 0.02%	0	0	0	0	0	0	0	0	320 0.02%	320 0.02%	None
Director	Tsai Wong, Ya-Li	0	0	0	0	200	200	120	120	320 0.02%	320 0.02%	0	0	0	0	0	0	0	0	320 0.02%	320 0.02%	None
Independent Director	Shiau, Fung-Shyung	0	120	0	0	200	200	240	246	440 0.03%	566 0.03%	0	0	0	0	0	0	0	0	440 0.03%	566 0.03%	None
Independent Director	Wu, Cheng-Hsiu	0	120	0	0	200	200	240	249	440 0.03%	569 0.03%	0	0	0	0	0	0	0	0	440 0.03%	569 0.03%	None
Independent Director	Lee, Ming-Yen	0	0	0	0	200	200	240	240	440 0.03%	440 0.03%	0	0	0	0	0	0	0	0	440 0.03%	440 0.03%	None

- Please explain the Independent Director remuneration policy, system, standard, and structure, and the connection between the amount of remuneration and the considered factors such as their job responsibilities, risks, and working time.
According to Article 20 of the Articles of Association of the Company, the remuneration paid to the Directors shall be determined by the Board of Directors based on the degree of their participation in and contributions to the business operations of the Company, as well as industry standards at home and abroad.
- Other than disclosures in the above table, remuneration paid to Directors for providing services (e.g., providing consulting services as a non-employee) for all companies in consolidated financial statements in the most recent year: None.

Note 1: The Company shall disclose the names and remuneration of its Directors or Supervisors individually if any of the following applies. Otherwise, the Company may choose between consolidating the disclosure according to the scale of remuneration, or disclose individually by names and ways of remuneration being paid (For individual disclosures, please fill in the title, names, and amount separately. It is not necessary to fill in the scale of remuneration chart):

- The names and remunerations of the "Directors and Supervisors" shall be disclosed separately if there are losses after tax in the three most recent financial statements of the financial year, however, shall not apply if the Company has posted net income after tax in the parent company only financial reports or individual financial report for the most recent fiscal year and such net income after tax is sufficient to offset the accumulated deficits.

- (2) A company with Directors whose shareholding percentages have been insufficient for three (3) or more consecutive months during the most recent fiscal year shall disclose the remuneration of Individual Directors. A company with Supervisors whose shareholding percentages have been insufficient for three (3) or more consecutive months during the most recent fiscal year shall disclose the remuneration of individual Supervisors.
- (3) A company with an average ratio of shares pledged by Directors or Supervisors that exceeds 50 percent in any three (3) months during the most recent fiscal year shall disclose the remuneration paid to each Individual Director or Supervisor who owns a ratio of shares pledged that exceeds 50 percent for each of these three months.
- (4) If the total amount of remuneration received by all the Directors and Supervisors of a company from all the companies listed in its financial statements exceeds two (2) percent of its net income after tax, and the amount of remuneration received by any individual Director or Supervisor exceeds NT\$15 million, the Company shall disclose the amount of remuneration paid to Individual Directors or Supervisors.
- (5) Any result of evaluation made on corporate governance in the most recent year is in the last level, or any trading method changes, any trading or marketing stops, or any evaluation is rejected by the Corporate Governance Evaluation Committee in the most recent year as of the publication date of this Annual Report as a listed company.
- (6) The average annual salary of a full-time employee of a listed company who does not hold a managerial position in the most recent year has not reached NT\$500,000.
- (7) Listed companies that have seen an increase of over 10% in net profit after taxes in the most recent fiscal year, yet have not increased the average annual salary of full-time non-managerial employees compared to the previous year.
- (8) Listed companies that have experienced a decline in net profit after taxes of at least 10% and exceeding NT\$5 million in the most recent fiscal year, and where the average remuneration for each director (excluding additional employee remuneration) has increased by at least 10% and exceeds NT\$100,000.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Unit: NT\$ thousands

Position	Name	Salary (A) (Note 2)		Severance Pay and Pension (B)		Bonus and Allowance (C) (Note 3)		Employee's Compensation (D) (Note 4)				The sum of A, B, C and D in proportion to Earnings After Tax (%) (Note 8)		Remuneration from Invested Business or Parent Company Other than Subsidiaries (Note 9)
		The Company	All companies in the financial statement (Note 5)	The Company	All companies in the financial statement (Note 5)	The Company	All companies in the financial statement (Note 5)	The Company		All Companies in the Financial Statements (Note 5)		The Company	All Companies in the Financial Statements (Note 5)	
								Cash amount	Stock amount	Cash amount	Stock amount			
Chairman and Chief Strategy Officer	Wong, Ming-Sen	14,301	14,301	216	216	0	0	0	0	0	0	14,517 0.83%	14,517 0.83%	None
General Manager	Sekiyama Takayuki													
Executive Deputy General Manager	Yang, Ya-Hsiu													
Senior Deputy General Manager	Yang, Li-Jung													

Range of Remuneration Paid to the General Manager and Deputy General Manager	Name of General Manager and Deputy General Manager	
	The Company (Note 6)	All Companies in the Financial Statements (Note 7)
Less than NT\$1,000,000	0	0
NT\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive)	0	0
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)	Yang, Li-Jung, Sekiyama Takayuki	Yang, Li-Jung, Sekiyama Takayuki
NT\$3,500,000 (inclusive)~NT\$5,000,000 (exclusive)	Wong, Ming-Sen	Wong, Ming-Sen
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	Yang, Ya-Hsiu	Yang, Ya-Hsiu
NT\$10,000,000 (inclusive)~NT\$15,000,000 (exclusive)	0	0
NT\$15,000,000 (inclusive)~NT\$30,000,000 (exclusive)	0	0
NT\$30,000,000 (inclusive)~NT\$50,000,000 (exclusive)	0	0

Range of Remuneration Paid to the General Manager and Deputy General Manager	Name of General Manager and Deputy General Manager	
	The Company (Note 6)	All Companies in the Financial Statements (Note 7)
NT\$50,000,000 (inclusive)~NT\$100,000,000 (exclusive)	0	0
Over NT\$100,000,000	0	0
Total	4	4

Note 1: The remuneration of executives is determined based on the Company's operational performance, future risks, development strategy, industry trends, and individual contributions to the Company's performance. In accordance with regulations, this is reviewed by the Remuneration Committee and the Board of Directors. The remuneration distribution policy will be periodically reviewed in light of the overall environment and corporate business strategy, aiming to balance the interests of sustainable corporate management and stakeholders.

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

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

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

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

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

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

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

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

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

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

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

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

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

December 31, 2023 Unit: NT\$Thousand

	Position (Note 1)	Name (Note 1)	Stock amount	Cash amount	Total	Ratio of Total Amount to Net Income (%)
Manager	General Manager	Sekiyama Takayuki	N/A	Note	Note	Note
	Executive Deputy General Manager	Yang, Ya- Hsiu				
	Senior Deputy General Manager	Yang, Li- Jung				
	Chief Financial Officer	Chen, Chun- Wei				
	Accounting Controller	Lee, Yung- Chih				

Note: Since the Company did not distribute dividends in 2022. Therefore, the proposed distribution amount for fiscal year 2023 cannot yet be estimated.

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

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

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

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

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

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

Unit: NT\$ thousands

Position	2023		2022	
	The Company	Consolidated financial statements	The Company	Consolidated financial statements
Total Remuneration Paid to Directors	2,920	3,175	1,320	1,909
Proportion of the Total Remuneration Paid to Directors in Net Income (Loss) after Tax (%)	0.17%	0.18%	(0.12%)	(0.18%)
Total Remunerations of the General Manager and Deputy General Manager	14,517	14,517	16,047	16,047
Proportion of Total Remunerations of the General Manager and Deputy General Manager in Net Income (Loss) after Tax (%)	0.83%	0.83%	(1.49%)	(1.49%)

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

- (1) Director

The remuneration of directors consists of executive fees and remuneration from distribution of earnings (directors' remuneration), of which executive fees are fixed and directors' remuneration is specified in the Company's Articles of Incorporation.

- (2) General Manager and Deputy General Manager

The remuneration of the General Manager and Deputy General Manager includes salary, bonus and employee remuneration. The salary shall be reported to the Board of Directors for approval by the Remuneration Committee in accordance with the provisions of salary of the Company, and the bonus is given as per the value of their contribution.

- (3) Relevance between the procedures determining remuneration and business performance

Article 27 of the Company's Articles of Incorporation stipulates that if the Company makes a profit in a year, at least 1% of the profit shall be set aside for employee remuneration and not more than 1.5% for directors' remuneration, according to their participation in the Company's operations (such as the results of the Board of Directors'

evaluation of management performance), taking into account the usual standards of the domestic industry or the industry, which shall be submitted by the Remuneration Committee to the Board of Directors for approval. Details of the remuneration shall be regularly disclosed annually in the annual report of the Company. The remuneration policy for the General Manager and Deputy General Manager is based on the Company's "Regulations Governing the Remuneration of Managerial Officers". In addition to the usual remuneration and benefits in the industry, the remuneration shall be calculated by taking into account the current year's operating conditions, the individual's duties and professional abilities, and other special contributions to the Company, together with operational performance and personal evaluation (including employee loyalty, work ability, commitment and communication). The policy shall be proposed by the Human Resource Office, reviewed by the Remuneration Committee and submitted to the Board of Directors for approval. The Company will review the operational risks and corporate responsibilities in the future at any time, review its remuneration system appropriately, and keep the balance between its sustainable operation and risk management.

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

(I) The state of operations of the Board of Directors: 6 meetings were held by the Board of Directors in the Fiscal Year of 2023. The attendance of Directors is listed as per below:

Position	Name (Note 1)	Attendance in Person	Attendance by Proxy	Actual Attendance (%) (Note 2)	Note
Chairman	Wong, Ming-Sen	6	0	100%	
Director	Yang, Ya-Hsiu	5	1	83%	
Director	Tseng, Yi-An	6	0	100%	
Director	Tsai, Tsung-Han	5	1	83%	
Director	Tsai Wong, Ya-Li	6	0	100%	
Independent Director	Shiau, Fung-Shyung	6	0	100%	
Independent Director	Wu, Cheng-Hsiu	6	0	100%	
Independent Director	Lee, Ming-Yen	6	0	100%	

Other matters to be recorded:

- I. If any of the following circumstances occurs, the meeting date, period, content, qualified opinion and resolution made by any Independent Director should be specified.
- (1) Matters specified in Article 14-3 of the Taiwan Securities and Exchange Act.
 - (2) Aside from matter stated above, any other Board meeting resolutions that have been objected to or retained by Independent Directors with a record or written statement.

The Board of Directors	Content of Motion and Follow-up	Matters specified in Article 14-3 of the Securities and Exchange Act	Objections or Reservations by Independent Directors	
The 15th Board of Directors The 10th Meeting 2023/3/14	1. Change to the Certified Accountant of PricewaterhouseCoopers, Taiwan.	V	None	
	2. The suitability and independence evaluation and appointment of the Company's Certified Accountant.	V	None	
	3. 2022 annual financial report and business report.	V	None	
	4. 2022 annual statement of internal control system.	V	None	
	Handling of Independent Director's Opinion by the Company: None			
Resolution result: The proposal was unanimously approved as presented after the Chairperson consulted with all attending directors and no objections were raised.				
The 15th Board of Directors The 11th Meeting 2023/5/12	1. Change to the Certified Accountant of PricewaterhouseCoopers, Taiwan, and suitability and independence evaluation.	V	None	
	2. The Company's consolidated financial report for Q1 2023.	V	None	
	Handling of Independent Director's Opinion by the Company: None			
	Resolution result: The proposal was unanimously approved as presented after the Chairperson consulted with all attending directors and no objections were raised.			
The 15th Board of Directors The 12th Meeting	1. The Company's consolidated financial report for Q2 2023.	V	None	
	2. Appointment and dismissal of Accounting Controller.	V	None	
	Handling of Independent Director's Opinion by the Company: None			

2023/8/11	Resolution result: The proposal was unanimously approved as presented after the Chairperson consulted with all attending directors and no objections were raised.		
The 15th Board of Directors The 14th Meeting 2023/11/10	1. The Company's consolidated financial report for Q3 2023.	V	None
	2. Proposal to adopt the Company's 2024 audit plan.	V	None
	Handling of Independent Director's Opinion by the Company: None		
	Resolution result: The proposal was unanimously approved as presented after the Chairperson consulted with all attending directors and no objections were raised.		

- II. Regarding recusals of Directors from voting due to conflicts of interests, the names of the Directors, contents of motions, reasons for recusal, and results of voting shall be specified:
At the Board of Directors' meeting held on January 9, 2023, the Company's Board of Directors discussed the distribution of the sales bonus for the managerial officers for the fourth quarter of 2021 and the second quarter of 2022, as well as the distribution of the remuneration of managerial officers for 2021 and the year-end bonus of managerial officers for 2022. Director Yang, Ya-Hsiu, an interested party of the above proposals, was recused from the discussion and did not participate in the voting due to her own interests.
- III. The assessment implementation status of the Board of Director: Please refer to Table 1.
- IV. Assessment of enforcement for the function of Board of Directors in the current and most recent years (i.e. establishment of Audit Committee and improving the transparency of information):
1. The Company has established an Audit Committee, which shall be formed by 3 Independent Directors and meet at least once per quarter to exercise the functions and powers prescribed by the Securities and Exchange Act, the Company Act, and other regulations. Please refer to page 31 of this annual report for the operation of the Audit Committee.
 2. The Company has established a Remuneration Committee, which is unanimously approved by all the attending Directors to appoint the Independent Directors Wu, Cheng-Hsiu, Shiau, Fung-Shyung, and Lee, Ming-Yen as members of the Committee, in which the meeting should be held at least twice per year. Please refer to page 46 of this annual report for the operation of the Remuneration Committee.

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

- Note 2: (1) If any director or supervisor left office before the end of the fiscal year, specify the date that they left office in the Remarks column. Their in-person attendance rate (%) should be calculated based on the number of board meetings held and the number they attended in person during the period they were in office.
- (2) If a Director or Supervisor is re-elected before the end of the accounting year, the names of the current and previous Director or Supervisor shall be listed and their appointment status and re-election date shall be noted in the "Remarks" column. Their attendance rate (%) to Board session shall be calculated based on the number of meetings called and the actual number of sessions they attended, during the term of office.

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

Assessment cycle (Note 1)	Assessment period (Note 2)	Assessment range (Note 3)	Assessment approach (Note 4)	Assessment Content (Note 5)
Once a year	2023	<ol style="list-style-type: none"> 1. The Board of Directors 2. Members of the Board of Directors 3. Functional committees (Remuneration Committee and Audit Committee) 	In accordance with the questionnaire responded by members of the company's Board of Directors and each functional committee (Audit Committee and Remuneration Committee), and actual meeting status, to conduct analysis and sorting.	<ol style="list-style-type: none"> 1. The criteria for evaluating the performance of the Board of Directors, which should cover the following five aspects: Participation in the operation of the Company; Improvement of the quality of the Board of Directors' decision making; Composition and structure of the Board of Directors; Election and continuing education of the Directors; and internal control. 2. The criteria for evaluating the performance of the Board members (on themselves or peers), should cover the following six aspects: Alignment of the goals and missions of the Company; Awareness of the duties of a Director; Participation in the operation of the Company; Management of internal relationship and communication; The Director's professionalism and continuing education; and Internal control. 3. The criteria for evaluating the performance of functional committees should cover the following five aspects: Participation in the operation of the Company; Awareness of the duties of the functional committee; Improvement of quality of decisions made by the functional committee; Makeup of the functional committee and election of its members and Internal control.

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

Note 2: Fill in the period covered for the assessment of the performance of the Board of Directors, for example: The assessment period of the performance of the Board of Directors is from January 1, 2023 to December 31, 2023.

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

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

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

- (1) Evaluation of the performance of the Board of Directors: Participation in the operation of the Company; the quality of the Board of Directors' decision making; Composition and structure of the Board of Directors; Election and continuing education of the Directors; and internal control.
- (2) Performance evaluation of individual directors: Alignment of the goals and missions of the Company; Awareness of the duties of a Director; Participation in the operation of the Company; Management of internal relationship and communication; The Director's professionalism and continuing education; and Internal control.

- (3) Evaluation of the performance of functional committee: Participation in the operation of the Company; Awareness of the duties of the functional committee; The quality of decisions made by the functional committee; Makeup of the functional committee and election of its members and Internal control.

(II) Operation of the Audit Committee:

The Audit Committee has held 4 meetings (A) in the most recent fiscal year. The attendance of the Independent Directors is listed as per below:

Position	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) (B/A)(Note)	Note
Independent Director	Shiau, Fung-Shyung	4	0	100%	
Independent Director	Wu, Cheng-Hsiu	4	0	100%	
Independent Director	Lee, Ming-Yen	4	0	100%	

Audit Committee's annual tasks aggregate

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

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

(2) Audit and review financial reports

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

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

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

(4) The operating status in 2023

Board of Directors Meeting Date	Content of Motion and Follow-up	Matters specified in Article 14-5 of the Securities and Exchange Act	Other resolutions passed by two thirds of all Directors but yet to be approved by the Audit Committee

The 15th Meeting of the 10th Board of Directors 2023/3/14	1. Change to the Certified Accountant of PricewaterhouseCoopers, Taiwan.	V	None
	2. The suitability and independence evaluation and appointment of the Company's Certified Accountant.	V	None
	3. 2022 annual financial report and business report.	V	None
	4. 2022 annual statement of internal control system.	V	None
	Resolution result of the Audit Committee (March 14, 2023): Approved by all attending members of the Remuneration Committee.		
	Handling of the opinion of the Audit Committee by the Company: Approved by all Directors present at the meeting.		
The 15th Meeting of the 11th Board of Directors 2023/5/12	1. Change to the Certified Accountant of PricewaterhouseCoopers, Taiwan, and suitability and independence evaluation.	V	None
	2. The Company's consolidated financial report for Q1 2023.	V	None
	Resolution result of the Audit Committee (May 12, 2023): Approved by all attending members of the Remuneration Committee.		
	Handling of the opinion of the Audit Committee by the Company: Approved by all Directors present at the meeting.		
The 15th Meeting of the 12th Board of Directors 2023/8/11	1. The Company's consolidated financial report for Q2 2023.	V	None
	2. Appointment and dismissal of Accounting Controller.	V	None
	Resolution result of the Audit Committee (August 11, 2023): Approved by all attending members of the Remuneration Committee.		
	Handling of the opinion of the Audit Committee by the Company: Approved by all Directors present at the meeting.		
The 15th Meeting of the 14th Board of Directors 2023/11/10	1. The Company's consolidated financial report for Q3 2023.	V	None
	2. Proposal to adopt the Company's 2024 audit plan.	V	None
	Resolution result of the Audit Committee (November 10, 2023): Approved by all attending members of the Remuneration Committee.		
	Handling of the opinion of the Audit Committee by the Company: Approved by all Directors present at the meeting.		

Other matters to be recorded:

- I. With regard to the implementation of the Audit Committee, if any of the following circumstances occur, the dates, terms of the meetings, contents of motions, the content of any dissenting or qualified opinion or significant recommendation of the independent directors, all Audit Committee resolutions, and the Company's handling of such resolutions shall be specified.
 - (1) Matters specified in Article 14-5 of the Securities and Exchange Act.
 - (2) Aside from matter stated above, other resolutions passed by two thirds of all Directors but yet to be approved by the Audit Committee.
- II. Regarding recusals of Independent Directors from voting due to conflicts of interests, the names of the Independent Directors, contents of motions, reasons for recusal, and results of voting shall be specified: None.
- III. Communication between the Independent Directors, chief internal auditor, and CPAs (including the key items, methods, and results of audit of finances and operations) Please refer to Table 2.

- (1) The Company holds regular Audit Committee meeting. Besides having the internal audit officers who shall attend the meeting, the Company will invite accountants and relevant supervisors to attend as required.
- (2) The Audit Committee is formed by all Independent Directors of the Company. The internal audit officers would meet with the Independent Directors before the end of each month to provide audit report for the Directors' review and signature. In addition, the audit officers would regularly meet with the Independent Directors and accountants twice every year to ensure a good communication.
- (3) The Audit Committee shall meet with the Company's CPA on a regular basis every year to review and verify the financial statements with, and communicate matters according to relevant laws and regulations.

Table 2:

Date	Way of communication	Motion	Results
2023/1/9	Corporate governance meeting	The accounting firm prepared Audit Quality Indicators (AQI) and discussed preliminary views on the audit planning, risk assessment, and key audit matters for fiscal year 2022.	The Audit Committee approved the Audit Quality Indicators (AQI) and the financial statements for fiscal year 2022, which were subsequently submitted for approval by the Board of Directors, and duly announced and reported to the regulatory authorities as scheduled.
2023/3/14	Corporate governance meeting	Accountants report and explain the verification status and result of the individual and consolidated financial reports of 2022.	The Audit Committee passed the financial report of 2022 and submitted it to the Board of Directors for approval, and announced and reported to the competent authority as scheduled.
2023/8/11	Corporate governance meeting	Accountants report and explain the verification status and result of the individual and consolidated financial reports of the first half of 2023.	The Audit Committee passed the financial report 2023 and submitted it to the Board of Directors for approval, and announced and reported to the competent authority as scheduled.
2023/12/27	Written communication	Discuss the preliminary views on the audit plan, risk assessment and key audit matters in 2023.	All independent directors have been informed of this written communication and have no other opinions.

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

Evaluation Item	Implementation Status (Note)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
I. Does the Company establish and disclose its corporate governance best practice principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company has formed a “Corporate Governance Best-Practice Principles” to protecting shareholders' rights and interests, strengthening the functions of the Board of Directors, respecting the rights and interests of the stakeholders, and enhancing the transparency of information	In line with the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies.
II. Shareholding structure & shareholders' rights (I) Does the Company establish internal operating procedures or policies to handle shareholder suggestions, doubts disputes and lawsuits and implemented such procedures or policies?	✓		(I) The Company has set up a website to collect shareholder’s suggestions, and positions for spokesperson, and legal office to handle shareholders’ suggestions, doubts, and litigations.	In line with the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies.
(II) Does the Company possess a list of major shareholders and list of ultimate owners of these major shareholders?	✓		(II) The Company would by law report the changes to the shareholdings of the internal employees, including Directors, managers, and shareholders who hold more than 10% of the shares on the website the public information observatory on a monthly basis.	In line with the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies.
(III) Has the Company established and enforced risk control and firewall systems with its affiliate companies?	✓		(III) The Company has established the “Measures for Governance and Supervision of Subsidiaries” to ensure that all financial activities are operated in accordance with the internal control system.	In line with the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies.

Evaluation Item	Implementation Status (Note)		Description	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		
(IV) Has the Company adopted internal rules prohibiting company insiders from trading securities using information not disclosed to the market?	✓		(IV) The Company has established an “Insider Trading Policy” to prohibit internal employees from trading securities using undisclosed market information.	In line with the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies.
III. Composition and responsibilities of the Board of Directors (I) Does the board of directors formulate diversification policies, specific management objectives and implement them?	✓		(I) 1. The Company is governed by the diversification policy of the “Corporate Governance Best-Practice Principle”, in which members of the Board of Directors have different professional backgrounds, genders and working fields, so it helps to improve the board structure of the Company. 2. Board of Directors in office is composed of 9 Directors, including 3 independent Directors. The experienced members are well equipped with expertise in finance, business and management. In alignment with the policy of gender equality promotion, the ratio goal of female Board members is 25% and above. Currently, there are 8 Directors include 3 female Board members are appointed, reaching 33%. Please refer to p.18 of the Annual Report for detailed information.	In line with the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies.
(II) In addition to the Remuneration Committee and Audit Committee, has the	✓		(II) The Company has established a Remuneration Committee and the Audit Committee; other functional committees will be	In line with the Corporate Governance Best- Practice

Evaluation Item	Implementation Status (Note)		Description	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		
Company voluntarily established other functional committees?			formed according to the future operational needs to strengthen the supervision and management function of the Board of Directors.	Principles for TWSE/TPEX Listed Companies.
(III) Has the Company established standards to measure the performance of the Board, and does the Company implement such annually? Does it report the results of the performance evaluation to the BOD and use them as a reference for each Director's remuneration and nomination of term renewal?	✓		(III) The Company has established a "Board Assessment Management Method" and regularly conducts performance appraisal every year and submit the results of performance assessments to the Board of Directors, to improve the function, operational efficiency, and reference in the nomination and additional office term of the Board of Directors of the Company. The result of the assessment (submitted on March 14, 2024) is based on the questionnaire responded by members of the Company's Board of Directors and each functional committee (Audit Committee and Remuneration Committee) and actual meeting status, to conduct analysis and sorting. The overall operation result is "nearly strongly agree" (average is approximate 4.8 points, 1 strongly disagree, 2 disagree, 3 neutral, 4 agree, 5 strongly agree.), giving a positive appraisal. Evaluating matters and results are listed as the followings: 1. Evaluation of the performance of the Company's Board of Directors (1) Evaluating items cover five aspects: Participation in the operation of the Company; Improvement of the quality of the Board of Directors' decision making;	In line with the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies.

Evaluation Item	Implementation Status (Note)		Description	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		
			<p>Composition and structure of the Board of Directors; Election and continuing education of the Directors; and internal control.</p> <p>(2) Evaluating result: the Board of Directors and operating team have great communication and respect professions, enable the Board members to grasp the operating status.</p> <p>2. Board members' evaluation</p> <p>(1) Evaluating items cover six aspects: Alignment of the goals and missions of the Company; Awareness of the duties of a Director; Participation in the operation of the Company; Management of internal relationship and communication; The Director's professionalism and continuing education; and Internal control.</p> <p>(2) Evaluating result: Directors (including Independent Directors) are professional and responsible. They have great communication and the meetings are going smoothly.</p> <p>3. Evaluation of the performance of functional committee</p> <p>(1) Evaluating items cover five aspects: Participation in the operation of the Company; Awareness of the duties of the functional committee; Improvement of quality of decisions made by the</p>	

Evaluation Item	Implementation Status (Note)		Description	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		
			<p>functional committee; Makeup of the functional committee and election of its members and Internal control.</p> <p>(2) Evaluating result: Independent Directors can perform operation of each functional committee independently and effectively.</p>	
(IV) Does the Company regularly assess on the independence of CPAs?	✓		<p>(IV) The Company shall evaluate the independence and suitability of the CPA voluntarily once a year, in line with the “Regulations for the Appointment and Administration Changes of CPA firm and CPA” and referencing the Audit Quality Indicators (AQIs) information, then report the results for resolutions in Audit Committee meeting on March 14, 2023 and Board of Directors meeting on March 14, 2023. Both Chang, Shu-Chiung and Wang, Song-Tse (CPA) from PwC Taiwan are qualified with the independence and suitability assessment standards, and are eligible to obtain the CPA position for the Company.</p> <p>The important evaluation categories of the CPA are listed as per below:</p> <ol style="list-style-type: none"> 1. The CPA has not been a Director or an Independent Director of the Company or its affiliated enterprise presently or in the last two years. 2. The CPA is not a shareholder of the Company or its affiliated enterprises. 	In line with the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies.

Evaluation Item	Implementation Status (Note)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			<p>3. The CPA is not remunerated by the Company or its affiliated enterprises.</p> <p>4. Regularly obtain independence declarations issued by the CPA.</p> <p>5. Acquire the 13 Audit Quality Indicators (AQIs) provided by the accounting firm, and assess the audit quality of the accounting firm and the audit team based on the "Guidance on Audit Committee Interpretation of Audit Quality Indicators (AQIs)" issued by the regulatory authority.</p>	
IV. Does the Company appoint adequate persons and a chief governance officer to be in charge of corporate governance matters (including but not limited to providing Directors and Supervisors required information for business execution, assisting Directors and Supervisors in following laws and regulations, handling matters in relation to the Board meetings and shareholders' meetings and keeping minutes at the Board meetings and shareholders' meetings according to law)?	✓		<p>(I) The Company has appointed a chief corporate governance officer, and the finance and accounting investment office of the Company is in charge of the corporate governance related affairs. Main responsibilities are as follows:</p> <ol style="list-style-type: none"> 1. Develop and plan appropriate corporate systems and organizational structures to promote the independence of the Board of Directors, corporate transparency, the compliance of laws and regulations, and the implementation of internal audit and control. 2. Consult and develop meeting agenda before the Board meeting, and notify all Directors to attend the meeting at least 7 days before the meeting to facilitate the Directors' understanding of the meeting topics, and shall provide prior notice if there are 	In line with the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies.

Evaluation Item	Implementation Status (Note)		Description	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		
			<p>potential topics related to the stakeholders which should be avoided as necessary.</p> <p>3. Register the date of shareholders' meeting every year before the due date prescribed by law. Prepare and report the meeting notice, handbook, and minutes before the due date. Apply for registration change after an amendment of the articles or a re-election of Directors have taken place.</p> <p>(II) The status of continuing education hours of the chief corporate governance officer, please refer to page 72 to 73 in this annual report.</p>	
V. Does the Company establish communication channels and a dedicated section on the Company website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers) to respond to material corporate social responsibility issues in a proper manner?	✓		The Company has established the position of a spokesperson and a deputy spokesperson. Depending on the stakeholders, it may instruct the Accounting and Investment Management Office, the Human Resources Office, the Purchasing Office and other departments to establish appropriate communication channels with all stakeholders to maintain legal rights of both parties, with contact information for spokespersons and business teams on the Company's website.	In line with the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies.
VI. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The Company has appointed KGI Securities Co., Ltd. as the professional stock service agency for shareholder affairs.	In line with the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies.

Evaluation Item	Implementation Status (Note)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
VII. Information disclosure (I) Has the Company established a corporate website to disclose information regarding the Company's financial, business, and corporate governance status?	✓		(I) The Company has established Mandarin/English website https://www.cmcnet.com.tw/ maintained by professional, to disclose finance, business, stock affairs, corporate governance, and other related information for investor's reference.	In line with the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies.
(II) Has the Company established any other information disclosure channels (e.g. maintaining a website in English, designating people to handle information collection and disclosure, appointing spokespersons, webcasting investors' conference, etc.)?	✓		(II) The Company has established the spokesperson system, in which a professional is in charge of collecting the important information of the Company and disclosing at the "Public Information Observatory" according to the operating procedures prescribed by the competent authority. The spokesperson/deputy spokesperson would make unified statement to the public.	In line with the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies.
(III) Does the Company announce and declare the annual financial report within two months after the end of the fiscal year? Does it announce and declare the first, second and third quarter financial reports and operating conditions of each month as soon as possible before the prescribed period?	✓		(III) The Company publicly announces and registers the financial reports for the first, second and third quarters as well as its operating status for each month. They are all in line with related principles from the competent authority.	In line with the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies.
VIII. Does the Company have other important information that helps to understand the operation of corporate governance?				

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

Evaluation Item	Implementation Status (Note)		Description	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		
(IV) Stakeholders' rights	✓		(IV) The Company has a variety of channels to communicate with interested parties to safeguard the legitimate rights and interests of both parties.	In line with the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies.
(V) Continuous education and training and the Directors	✓		(V) Please refer to Table 3 "Directors' Training of the Company".	In line with the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies.
(VI) Risk management policies and risk evaluation implementation standards	✓		(VI) Please refer to page 325 to 333 Management's Discussion and Analysis of Financial Condition and Risk Factors.	In line with the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies.
(VII) Implementation of customer policies	✓		(VII) The Company maintains a good communication channel with its customers on weekdays, keeps control of customer order requirements, and regularly tracks customer payment progress, in order to create profitability of the Company while taking into account the control of customer credit risk.	In line with the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies.
(VIII) What is the circumstance of the Company purchasing liability insurance for the Directors?	✓		(VIII) The Company purchases liability insurance with an upper limit of USD10 million in order to meet the requirements of the competent authority and protect the Directors from personal liability and financial losses caused by third party litigation due to the execution of their duties.	In line with the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies.

Evaluation Item	Implementation Status (Note)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
IX. Improvements made in the most recent fiscal year in response to the results of corporate governance evaluation conducted by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, and improvement measures and plans for items yet to be improved.				
(I) Indicators of improvement drawn from the 10th Corporate Governance Evaluation in comparison with last year's result:				
1. The Chairman and the General Manager or other equivalent positions (senior management) are not the same person, nor are they spouses or first-degree relatives.				
2. Amend the "Procedures for Handling Reports of Illegal, Unethical, or Dishonest Activities."				
(II) Priorities and measures to be undertaken from the result of the 10th Corporate Governance Evaluation:				
1. Draft guidelines for financial and business operations involving related parties.				
2. Propose amendments to the "Insider Trading Prevention Procedures."				
3. The minutes of the Annual General Meeting of Shareholders record significant content related to shareholder questions and company responses.				

Table 3: Status of continuing education for the Company's board of directors in 2023

Position	Name	Date	Training Institution	Course Name	Training Hours
Chairman	Wong, Ming-Sen	2023.08.10	Taiwan Corporate Governance Association	Legal issues related to ESG that Boards should consider	3
Chairman	Wong, Ming-Sen	2023.12.11	Taiwan Securities and Futures Market Development Foundation	Practical analysis of "Sustainability Report" in Corporate Governance 3.0	3
Director	Yang, Ya-Hsiu	2023.08.10	Taiwan Corporate Governance Association	Legal issues related to ESG that Boards should consider	3
Director	Yang, Ya-Hsiu	2023.12.11	Taiwan Securities and Futures Market Development Foundation	Practical analysis of "Sustainability Report" in Corporate Governance 3.0	3
Director	Tseng, Yi-An	2023.12.11	Taiwan Securities and Futures Market Development Foundation	Practical analysis of "Sustainability Report" in Corporate Governance 3.0	3
Independent Director	Shiau, Fung-Shyung	2023.08.07	Taipei Exchange	"The First Insider Equity Advocacy Seminar for Over-the-Counter and Emerging Stock Companies in Taipei"	3
Independent Director	Shiau, Fung-Shyung	2023.08.10	Taiwan Securities and Futures Market Development Foundation	Introduction and Case Analysis of Insider Short-Term Trading in Companies	3
Independent Director	Wu, Cheng-Hsiu	2023.05.26	Ministry of Environment	Lecture and Seminar on "Green Chemistry: Co-Creating Sustainability"	3
Independent Director	Wu, Cheng-Hsiu	2023.08.10	Taiwan Corporate Governance Association	Legal issues related to ESG that Boards should consider	3
Independent Director	Lee, Ming-Yen	2023.07.04	Taiwan Stock Exchange	2023 Cathay Sustainable Finance and Climate Change Summit	6
Independent Director	Lee, Ming-Yen	2023.08.10	Taiwan Corporate Governance Association	Legal issues related to ESG that Boards should consider	3

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

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

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

December 31, 2023

Title (Note 1)	Name	Professional qualifications and experience (Note 2)	Status of independence (Note 3)	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member
Independent Director (Convener)	Shiau, Fung-Shyung	Ph.D. in Economics, Chinese Culture University, and Master of Economics, Yale University, USA, specializing in industrial analysis, operational judgment, accounting and financial analysis. Former Vice Chairman of Council for Economic Planning and Development, Executive Yuan, and Dean of Tamkang University Business School. Honorary professor of Tamkang University.	(1) Not an employee of this Company or its affiliates. (2) Not a Director or Supervisor of the Company's affiliates. Not applicable in cases where the person is an Independent Director of the Company's parent company or any subsidiary appointed in accordance with the Regulations Governing the Appointment of Independent Directors and Compliance Matters for Public Companies or other local laws and regulations. (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or is ranked in the top 10 in shareholdings. (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the above persons in the preceding three subparagraphs. (5) Not a Director, Supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among the top 5 in shareholdings, or that designates its representative to serve as a Director or Supervisor of the Company under Paragraph 1 or 2, Article 27 of the Company Act (except for an Independent Director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).	1
Independent Director	Wu, Cheng-Hsiu	Passed Higher Examination for Lawyers, Executive Lawyer of Taipei Bar Association, former President of Ming De Law Office, Legal advisor to Lih Pao Construction Co., Ltd.	(1) Not an employee of this Company or its affiliates. (2) Not a Director or Supervisor of the Company's affiliates. Not applicable in cases where the person is an Independent Director of the Company's parent company or any subsidiary appointed in accordance with the Regulations Governing the Appointment of Independent Directors and Compliance Matters for Public Companies or other local laws and regulations. (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or is ranked in the top 10 in shareholdings. (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the above persons in the preceding three subparagraphs. (5) Not a Director, Supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among the top 5 in shareholdings, or that designates its representative to serve as a Director or Supervisor of the Company under Paragraph 1 or 2, Article 27 of the Company Act (except for an Independent Director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).	None

Title (Note 1)	Qualifications Name	Professional qualifications and experience (Note 2)	Status of independence (Note 3)	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member
Independent Director	Lee, Ming-Yen	Department of Financial & Economic Law, Fu Jen School of Law, served as Special Assistant to Chairman of Premier Capital Management Corp., possesses experience in financial and investment management.	<p>(6) Not a Director, Supervisor or employee of a company controlled by the same person who has shares over half of the Company's Director seats or voting rights (except for an Independent Director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).</p> <p>(7) Not a Chairman, General Manager, or employee of another company or institution who, or whose spouse, is a Director, Supervisor, or employee holding an equivalent position of the Company (except for an Independent Director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).</p> <p>(8) Not a Director, Supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company (except for a specific company or institution holding more than 20% but less than 50% of the total issued shares of the Company and concurrently serving as an Independent Director, as appointed in accordance with the Act or the laws and regulations of the local country, at the Company and its parent or subsidiary or a subsidiary of the same parent).</p> <p>(9) Not a professional individual, sole proprietorship, partnership, owner of a company or institution, partner, Director, Supervisor, manager or spouse thereof that provides auditing service for the Company or any of its affiliates, or provides commercial, legal, financial, or accounting service with cumulative remuneration less than NT\$500,000 in the past two years.</p>	None

<div style="display: flex; justify-content: space-between;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">Title (Note 1)</div> <div>Qualifications</div> </div>	Name	Professional qualifications and experience (Note 2)	Status of independence (Note 3)	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member
			<p>However, this does not apply in cases where members of the Remuneration Committee, the Review Committee for Public Tender Offer or the Special Committee for Mergers and Acquisitions perform their functions in accordance with the Securities and Exchange Act or the Business Mergers and Acquisitions Act.</p> <p>(10) Not under any of the categories stated in Article 30 of the Company Act.</p>	

2. Operational status of the Remuneration Committee

- (1) There are 3 members in the Company's Remuneration Committee.
- (2) Current term: July 23, 2021 – July 22, 2024. There were 4 Remuneration Committee meetings (A) in the most recent year (2023). The qualifications and attendance are listed as per below:

Position	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) (B/A)(Note 1)	Note
Convener	Shiau, Fung-Shyung	4	0	100%	
Committee Member	Wu, Cheng-Hsiu	4	0	100%	
Committee Member	Lee, Ming-Yen	4	0	100%	
Remuneration Committer	Content of Motion and Follow-up	Resolution		The Company's treatment of the Remuneration Committee's opinion	
5th Session 6th Meeting 2023.1.9	The distribution of the sales bonus for the managerial officers for the fourth quarter of 2021 and the second quarter of 2022.	Adopted by all attending members of the Remuneration Committee without objection.		Proposed to, and approved by all attended Board members	
	Matters regarding the remuneration of the Company's managers in 2021 and the distribution of managers' year-end bonus in 2022.	Adopted by all attending members of the Remuneration Committee without objection.		Proposed to, and approved by all attended Board members	
5th Session 7th Meeting 2023.3.14	Proposed amendment of the Company's "Sales Achievement Bonus Issuance Management Regulations" for discussion.	Adopted by all attending members of the Remuneration Committee without objection.		Proposed to, and approved by all attended Board members	
	Proposal of the remuneration of managerial officers of the Company.	Adopted by all attending members of the Remuneration Committee without objection.		Proposed to, and approved by all attended Board members	
5th Session 8th Meeting 2023.5.12	Proposal to adjust remuneration of managerial officers of the Company.	Adopted by all attending members of the Remuneration Committee without objection.		Proposed to, and approved by all attended Board members	
5th Session 9th Meeting 2023.8.11	Salary proposal for the newly appointed Accounting Controller of the Company.	Adopted by all attending members of the Remuneration Committee without objection.		Proposed to, and approved by all attended Board members	
Other matters to be recorded:					
I. If the Board of Directors decline to adopt or modify a suggestion from the Remuneration Committee, it should specify the date of the meeting, session, content, resolution of the Board of Directors, and the Company's response to the opinion of Remuneration Committee: No such incident.					

II. For resolution(s) made by the Remuneration Committee with the Committee members voicing opposing or qualified opinions on the record or in writing, please state the meeting date, term, contents of motion, and opinions of all members and the Company's handling of said opinions: No such incident.

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

(V) Promotion of Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons:

Item	Implementation Status (Note 1)		Description	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No		
I. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board? (For listed companies, the implementation status shall be filled in, e.g. non-following or explanation).	✓		<p>I. For the governance structure of the sustainable development of the Company, the General Manager shall act as the general convener, the Assistant Manager of the financial department shall act as the convener, and the departments under the structure shall conduct risk management and implement related plans in their own fields.</p> <p>II. In May 2015, the Board of Directors of the Company passed a resolution that the Finance Accounting Investment Office General Manager Office shall be responsible for the sustainable development policies, system or related management guidelines, and the implementation of the specific promotion plans, and report to the Board of Directors at least once per year.</p> <p>III. The sustainable development of the Company in 2022 has been reported to the Board of Directors in August 2023, and was passed by all directors without objection.</p>	In compliance with the provisions Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.
II. Does the Company follow the significant principle, conducting risk assessment of environment, society, and corporate management issues related to business	✓		<p>II. In accordance with the “Sustainable Development Best Practice Principles”, the Company has developed specific policies for the promotion of its overall operational activities, and will review and amend them in</p>	In compliance with the provisions Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Item	Implementation Status (Note 1)		Description	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons												
	Yes	No														
operation, and stipulate related risk management policy or strategies? (Note 2) (For listed companies, the implementation status shall be filled in, e.g. non-following or explanation).			accordance with the actual implementation status. Refer to page 328 to 329 of the annual report for risk assessment of environment, society, and corporate management issues related to business operation, and management policy.													
<p>III. Environmental issues</p> <p>(I) Does the Company establish proper environmental management systems based on the characteristics of their industries?</p>	✓		<p>(I) The Company is promoted in accordance with relevant laws and regulations such as labor safety and health and environmental protection and continues to promote the</p> <table border="1"> <thead> <tr> <th>Certified Item</th> <th>Acquired Date</th> <th>Effective Date</th> </tr> </thead> <tbody> <tr> <td>TOSHMS</td> <td>2021/11/28</td> <td>2024/11/27</td> </tr> <tr> <td>ISO 45001</td> <td>2021/12/28</td> <td>2024/11/27</td> </tr> <tr> <td>ISO 14001</td> <td>2021/11/28</td> <td>2024/11/27</td> </tr> </tbody> </table> <p>TOSHMS, ISO45001 and ISO14001 systems to provide a safe working environment.</p>	Certified Item	Acquired Date	Effective Date	TOSHMS	2021/11/28	2024/11/27	ISO 45001	2021/12/28	2024/11/27	ISO 14001	2021/11/28	2024/11/27	In compliance with the provisions Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.
Certified Item	Acquired Date	Effective Date														
TOSHMS	2021/11/28	2024/11/27														
ISO 45001	2021/12/28	2024/11/27														
ISO 14001	2021/11/28	2024/11/27														
<p>(II) Does the Company endeavor to use energy more efficiently and to use renewable materials with low environmental impact?</p>	✓		<p>(II) In addition to improving our production processes, the Company is committed to reducing energy consumption in manufacturing by replacing equipment with more energy-efficient alternatives and implementing various power-saving measures. In fiscal year 2023, the electricity usage decreased by 24.3% compared to fiscal year 2022. The Company is committed to enhancing the efficiency of resource utilization, and has also</p>	In compliance with the provisions Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.												

Item	Implementation Status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Description	
			implemented the use of recycled materials in some products and packaging. This strategy is aimed at reducing raw material usage and waste, thereby minimizing environmental impact.	
(III) Does the Company evaluate the potential risk and chance of climate change posing to the business now and future, and adopt related countermeasures?	✓		(III) The Company evaluates the risks and opportunities posed by climate change on our operations based on the framework of the TCFD recommendations published by the Financial Stability Committee. Identified risks include increased pricing of greenhouse gas emissions, substitution of existing products and services with low-carbon alternatives, rising raw material costs, and an increase in average temperatures. To mitigate these risks, the Company is committed to enhancing our energy management practices, reducing carbon emissions, and developing low-carbon packaging solutions.	In compliance with the provisions Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.
(IV) Does the Company calculate greenhouse gas emissions, water consumption, and total weight of wastes in the past two years, and set up the policy of energy conservation and carbon reduction, greenhouse gas reduction, water consuming reduction,	✓		(IV) Please refer to the environmental protection expenditure information on page 105 of this annual report. The Company has established policies related to greenhouse gas reduction, energy management, energy efficiency, and waste management. Environmental data such as greenhouse gas emissions, water usage, and total waste generated	In compliance with the provisions Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Item	Implementation Status (Note 1)		Description	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No		
or other waste management?			over the past two years are also proactively disclosed annually in the CMC Magnetics Corporation Sustainability Report.	
IV. Social issues (I) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(I) The Company has established working rules and management methods in accordance with labor laws and regulations to protect the legitimate rights and interests of employees, and does not discriminate or discriminate because of: race, nationality, religion, age, disability, and social group preferences. The Company also promotes diversity and equality in the workplace, regardless of sexual orientation.	In compliance with the provisions Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.
(II) Does the Company establish employee remuneration policy (including compensation, furlough, and other benefits), and reflect the corporate business performance or achievements in the employee remuneration?	✓		(II) The Company established working regulations, salary management guidelines, and the standard of calculating salary, and staff and workers' Welfare Committee in accordance with labor laws and regulations; implementing employee remuneration policy, and reflect the corporate business performance or achievements in the employee remuneration. Please refer to pages 105.109-111 of this annual report.	In compliance with the provisions Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.
(III) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		(III) The Company continues to promote the TOSHMS, ISO45001 and ISO14001 systems to provide a safe working environment for employees. Regularly conduct general and special health examinations to	In compliance with the provisions Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Item	Implementation Status (Note 1)		Description	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No		
			<p>maintain the health of our employees and regularly provide general safety and health education training. We also hold labor safety meetings to discuss and address issues needing improvement in employee safety and health. Additionally, we occasionally organize health seminars to enhance employees' awareness of self-care. For more details, please refer to pages 109-110 of this annual report. In the fiscal year 2023, there were a total of 9 workplace accidents, representing a rate of 1.4% of the total number of employees. This includes 5 traffic accidents during commuting and 4 on-site workplace incidents. There was one incident of fire in 2023, with no casualties. The fire was caused by an electrical short circuit inside the machinery equipment. To prevent future occurrences, a comprehensive inspection of all internal wiring of the machines was conducted and completed within the year 2023.</p>	
(IV) Does the Company provide its employees with career development and training sessions?	✓		(IV) The Company has established education training for employees. Please refer to pages 110-111 of this annual report.	In compliance with the provisions Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.
(V) Does the company comply with the relevant laws and	✓		(V) The Company conducted costumer's management following related laws and	In compliance with the provisions Sustainable

Item	Implementation Status (Note 1)		Description	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No		
international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies?			regulations and international guidelines, and provides product grievance procedure to ensure consumers' rights.	Development Best Practice Principles for TWSE/TPEX Listed Companies.
(VI) Has the Company established the supplier management policies requesting suppliers to comply with relevant laws and regulations related to environmental protection, occupational safety and health or labor rights and supervised its implementation?	✓		(VI) The Company considers its suppliers as important long-term partners. In addition to competitive quality, delivery and cost, suppliers should also be committed to sustainable environment, labor safety and human rights. To assess suppliers' sustainability risks, the Company continuously evaluates suppliers' sustainability risks according to its internal ISO documents, and carries out graded management and continuous tracking according to the assessment results.	In compliance with the provisions Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.
V. Does the company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Are the reports certified or assured by a third-party accreditation body?	✓		V. The Company has referred to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information. The report has not been certified or assured by a third-party accreditation body.	In compliance with the provisions Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Item	Implementation Status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Description	
VI.			<p>If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviation from the principles in the Company's operations:</p> <p>The Company has established a Sustainable Development Best Practice Principles which has relevant norms for environmental protection, community participation, social contribution, social services, social welfare, customer rights, human rights, safety and health, etc., which can be found on the company's website. For the Company's implementation of promotion of sustainable development, please refer to page 51 of this annual report.</p>	
VII.			<p>Other important information to facilitate better understanding of the Company's promotion of sustainable development:</p> <p>(I) Environmental protection:</p> <p>Electricity consumption was reduced by 24.3% compared to 2022 (page 106). Total greenhouse gas emissions were reduced by 26.3% compared to 2022 (page 64). Total waste generation decreased by 70.78 metric tons compared to 2022 (page 107). Water consumption was reduced by 176 million liters compared to 2022 (page 106). The materials used were 100% free of conflict minerals. There were no violations of environmental laws or penalties incurred. There were no violations of the Waste Disposal Act, the Air Pollution Control Act, the Water Pollution Control Act, nor any major leak incidents.</p> <p>(II) Community service, social contribution and social welfare :</p> <p>The Company and Chairman Wong, Ming-Sen have established Taiwan Chi Yuan Culture Foundation and CMC Culture Foundation for more than 23 years, and CMC sponsored Taiwan Chi Yuan Culture Foundation for a long time to develop and support Go culture in Taiwan, and was conferred a Gold award at the 4th, 15th and 16th Arts & Business Award by the Ministry of Culture, Executive Yuan. Taiwan Chi Yuan Culture Foundation aims to aim to enhance Taiwan's occupational strength of the go, complete the go's professional system in Taiwan, generally improve go culture level in Taiwan, and provide professional and amateur players in Taiwan with actual experience and exchanged chance in international competitions, and cultivate more brilliant talents of go. In order to let Taiwan professional go formally reach the global stage, and make Taiwanese professional go players have a stand in international go, and further improve Taiwan's go competence. Chairman Wong, Ming-Sen has a keen interest in arts and literature over the years, and places considerable value in infusing culture with life. Hence, he established the CMC Culture Foundation. Since the establishment of the Culture Foundation, he has tirelessly advocated for art and cultural lifestyles, subsidized the performance of domestic art groups, placed high emphasis on preserving traditional and indigenous cultures, sponsored art history dissertation papers, supports avant-garde curatorial projects and individual creativity of young artists, over and above heavy lifting efforts, such as paying close attention to art publishing, to entrench culture. [Taiwan Chi Yuan Culture Foundation] The Taiwan Chi Yuan Culture Foundation was established in 2000 with Chairman of</p>	

CMC Group, Mr. Wong, Ming-Sen contributing the initial funds and serving as the chairman of the foundation. The goals of the foundation are to boost Taiwan's professional capabilities in Go, refine Taiwan's professional Go system, elevate Taiwan's Go culture level, and put Taiwan on the world map for Go. As playing Go can cultivate people's thinking and logical reasoning ability over and above the psychological resilience to overcome setbacks while holding a broader view of the situation, the game of Go is beneficial in enhancing the five aspects of holistic development of a person in terms of endurance, concentration, perseverance, physical strength and intelligence. Therefore, the go club also encourages people to get in touch with the Go culture and develop a professional go player system. In order to train professional go players, the go club has specially set up a student training system to allow more outstanding and potential amateur go players to enter the go club for training, and established a professional go player selection and promotion mechanism.

In addition to focusing on hosting professional go tournaments domestically and co-organizes highly influential international competitions, Taiwan Chi Yuan also actively participates in international world tournaments and selects Taiwanese representatives for world tournaments. Four professional competitions were held in 2023: Tianyuan Championship, CMC Gosei Championship, National Championship and UMC Cup Professional Go Tournament as well as several international tournaments and Taiwan representative selections for international tournaments, such as: LG Cup World Baduk Championship, GLOBIS Cup, Wu Qingyuan Cup World Women's Weiqi Tournament, Samsung Fire & Marine Insurance World Masters Baduk, Kuksu Mountains International Baduk Tournament, The MLily Cup Professional World Go Open Tournament, etc. Through these competitions, players accumulate practical experience, aspiring to achieve outstanding results in future world competitions.

On the international stage, a representative from Taiwan captured the country's first-ever Asian Games gold medal in Go during the year 2023, marking a historic milestone for Taiwanese Go. In the realm of international exchanges, the Taiwan Chi Yuan Culture Foundation has maintained a decades-long tradition of hosting friendly international matches with the Kansai Ki-in, with hosting duties alternating between the two institutions. In 2023, it was Taiwan Chi Yuan Culture Foundation's turn to organize the event, which was held online on the GoPanda2 platform under the title "Kansai Ki-in vs Taiwan Chi Yuan Culture Foundation Exchange Match," allowing for virtual competition. In summary, Taiwan Chi Yuan provides professional and amateur players in Taiwan with actual experience and exchanged chance in international competitions, and continuously cultivates more brilliant talents of go. In order to let Taiwan professional go formally reach the global stage, and make Taiwanese professional go players have a stand in international go, and further improve Taiwan's go competence.

[CMC Culture Foundation]

For 23 years since its establishment, the CMC Culture Foundation has been committed to promoting an artistic lifestyle and enhancing a more comprehensive cultural and artistic development environment in the country through participation in cultural and artistic activities. Under this goal, the specific projects undertaken by the CMC Culture Foundation include: sponsoring artistic groups and artists to provide more performance opportunities and creative spaces for outstanding artists; funding the publication of art-related works and research papers; sponsoring large domestic and international art exhibitions and music concerts to invigorate the local cultural atmosphere; participating in

events and performances organized by other cultural institutions or charitable organizations; and actively encouraging company employees to engage in cultural and artistic activities as a practical measure to promote the appreciation of art.

The Foundation sponsored the annual winter concert of the National Taiwan University Symphony Orchestra titled "All the Beauties of the World" held on March 2, 2023.

Additionally, it supported the first Taiwan solo performance of the legendary Spanish guitarist Pablo Sainz Villegas on May 17, 2023. The Foundation also sponsored tickets for the Ukrainian United Ballet's performance of "Wartime Elegy" on April 29, 2023, in Taiwan. This sponsorship not only promoted international cultural exchanges but also acknowledged the resilience and courage of these exiled ballet dancers who continued to showcase their exceptional skills amidst their country's devastation by warfare. Beyond performing arts, the Foundation has also been committed to supporting local contemporary artists. It exclusively sponsored the planning and hosting of the solo exhibition "Serpent" by artist Liu, Chih-Hung (1985-) from January 7 to February 25, 2023. This exhibition, full of mystery and avant-garde elements, was a rich artistic feast. Liu, Chih-Hung combined mythology and folklore, extensively researched and transformed the cultural significance of snakes, and crafted imagined musical instruments from clay. These instruments were then used to produce melodies, making this exhibition a comprehensive blend of visual, auditory, ceramic, and ethnographic elements. It was highly regarded for its depth and creativity by professionals in the art community.

In addition to the promotion and sharing of art and culture, CMC Culture Foundation also plays an important role in charitable events. It purchased all the grapes from Lu Grapes Farm in Puhsin, Changhua for a charity sale, and donated all the profit to Huashan Social Welfare Foundation. Over the years, the Group has supported the Private Pu-man Jen-Ai Home, gives warm clothes to the local Tia tribe elderly in the remote area of Wufeng Township, Hsinchu at Christmas, and sponsors the Garden of Mercy Foundation's initial care and companionship for AIDS and drug addiction babies. It hopes to deliver kindness to every corner and contributes to the development of the society, regardless of age, gender, or race, fulfilling a part of its corporate social responsibility with warmth and dedication.

Towards the end of 2021, CMC Culture Foundation also started to organize the Dreams Realization Project and the Excellence Project scholarship initiatives to encourage young final year undergraduates to put forward their directions and thoughts for further studies and career plans. Selected applicants would receive a scholarship to pursue the path best suited for their respective futures. Additionally, the foundation donated to sponsor the 2023 Chinese Culture University National Anchor Competition, promoting intercollegiate interaction through competition and aimed at cultivating and inspiring outstanding new journalism professionals.

The CMC culture foundation strongly believes that arts and culture are inevitable parts of life that enrich and nourish our hearts and souls. The foundation will continue to promote arts and culture, support great artists and performing groups, promote cultural interaction, in hopes that art can elevate the living tastes and brings more positive energy and aesthetics to society.

[Other Community Involvement, Social Contributions, and Social Welfare Initiatives]

1. Actively participate in the Hwa Ya Technology Park Environmental Quality Supervision Committee, located at our factory site. This committee convenes four general meetings annually, in collaboration with the Park Management Office and all

enterprises within the park. Together, we oversee and improve local issues such as air quality, noise control, wastewater treatment, and waste management. These efforts aim to minimize the impact on the surrounding residential areas and reduce environmental damage.

2. Installation of YouBike Stations:

CMC has generously provided land around its Linkou 3rd Plant at no cost to the Taoyuan City Government Transportation Bureau for the establishment of YouBike stations. These stations serve to connect factory workers and office employees from nearby community buildings to surrounding facilities. Within a 15-minute biking distance, one can reach locations including the MRT National Taiwan Sport University Station, Chang Gung Memorial Hospital Station, Da-Gang Elementary School, and Linkou Chang-Gung Memorial Hospital. YouBike is part of the sharing economy, which supports sustainable goals. Cycling offers numerous benefits with minimal environmental impact, being both energy-efficient and non-polluting. The installation of YouBike stations enhances transportation convenience while also promoting recreational activities, thus achieving a mutually beneficial goal of environmental sustainability.

(III) The Company discloses its exposure to climate related risks and opportunities under the Climate Related Financial Disclosure Framework (TCFD):

The Company follows the TCFD framework to identify the risks and opportunities arising from climate change in various sectors, and then effectively respond to the wide range of issues arising from climate change. And according to the four core elements of TCFD, the relevant management actions are disclosed in the following table:

Structure	Implementation description
Governance	The identification and management of climate change risks and opportunities are the responsibility of all departments according to the nature of their businesses. The Audit Committee will prepare a risk-oriented annual audit plan for each department's operations or potential climate risks, perform the audit, and report to the board of directors on the audit.
Strategy	To implement in-plant energy management and audit greenhouse gas emissions in order to achieve annual carbon reduction targets. To develop diversified products that meet the trends of sustainable development.
Risk Management	To learn about the future trend of climate development in external markets, policies and regulations, and consider the impact and possibility of occurrence to identify climate risks and opportunities that may affect the operations of the Company.
Indicators and goals	To continue to implement greenhouse gas inventory, and develop 1% targets for waste reduction, water conservation and carbon reduction, so as to reduce impact on environment.

- Note 1: If “Yes” is ticked in the “Implementation status” column, please concretely describe the major policies, strategies, and measures adopted and the status of their implementation. If “No” is ticked in the “Implementation status” column, please explain the deviations and the reasons in the “Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons” column and explain the Company’s plans for adoption of related policies, strategies, and measures in the future. However, for the promotion of items 1 and 2, the listed companies should describe the governance and supervisory framework for sustainable development, including but not limited to the management policy, strategy and goal setting, and review measures, etc. Furthermore, the Company's risk management policies or strategies on environmental, social and corporate governance issues related to its operations, and their evaluation shall be described.
- Note 2: The significant principle refers to issues related to environment, society, and business management, bringing significant impacts on investors and shareholders of the Company.

Climate-Related Information for Listed and OTC Companies

1 Implementation of Climate-Related Information Disclosure

Item	Implementation Status
1. Description of the Board of Directors and management's oversight and governance of climate-related risks and opportunities.	Board members and management have a strong understanding of the risks and significance of climate change. The convener of the Sustainable Development Team reports to the Board at least once a year on the implementation of sustainability development, including climate actions, and provides quarterly progress reports on the planning and execution of greenhouse gas inventories and verification.
2. Explanation of how identified climate risks and opportunities impact the business, strategy, and finances of the Company in the short, medium, and long term.	In accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the Company has identified short-term (1-3 years), medium-term (4-9 years), and long-term (over 10 years) risks and opportunities that may impact business operations. For example, the imposition of a carbon fee/tax will likely cause fluctuations in electricity prices due to adjustments in the energy structure, which is expected to lead to increased operating costs and decreased profitability. For additional information, please refer to our Sustainability Report.
3. Discussion on the financial impacts of extreme weather events and transition actions.	<p>Extreme weather events may cause damage to facilities, disruptions in the transportation of raw materials/goods, impacts on employee commuting, and reductions in productivity. Flooding and water outages can lead to production interruptions, and the costs of building flood prevention measures and maintaining buildings may increase.</p> <p>Transition actions will incur costs due to the increased installation of renewable energy sources and the purchase of green electricity, as well as increased costs for purchasing regulation-compliant raw materials and components in response to carbon fees/taxes.</p>

Item	Implementation Status
4. Explanation of how the process of identifying, assessing, and managing climate risks is integrated into the overall risk management system.	The Sustainable Development Team, in collaboration with relevant departments, reviews the internal and external risks faced by the Company. Through processes such as surveys, materiality assessments, controls, and oversight, climate risks are integrated into the overall risk management framework.
5. If scenario analysis is used to assess resilience against climate change risks, the scenarios, parameters, assumptions, analytical factors, and key financial impacts used should be described.	No scenario analysis has been established yet.
6. If there is a transition plan in place to manage climate-related risks, describe the contents of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.	No transition plan has been established yet.
7. If internal carbon pricing is used as a planning tool, the basis for pricing should be explained.	No such incident.
8. If climate-related targets are set, describe the activities covered, the scope of greenhouse gas emissions, the planning period, and annual progress; if carbon offsets or Renewable Energy Certificates (RECs) are used to achieve these targets, the source and quantity of the carbon reduction or the number of RECs should be explained.	The primary sources of greenhouse gas emissions for our company arise from the CO2 emissions generated by the purchased electricity required for operations, which fall under Scope 2 emissions. Therefore, the priority for improvement measures is energy conservation, with the Company consistently achieving more than a 1% reduction in energy usage annually.
9. Greenhouse gas inventory and assurance status, reduction targets, strategies, and specific action plans (to be filled in sections 1-1 and 1-2).	Please refer to pages 64-66 of this annual report.

1-1 Greenhouse Gas Inventory and Verification Status in the Past Two Years

Company Basic Information	In accordance with the sustainability roadmap guidelines for listed companies, at a minimum, the following must be disclosed
<ul style="list-style-type: none"> ■ Companies with a capitalization of over NT\$10 billion, as well as those in the steel and cement industries 	<ul style="list-style-type: none"> ■ Parent Company Standalone Inventory

1-1-1 Greenhouse Gas Inventory Information

Detail the greenhouse gas emissions for the most recent two fiscal years (metric ton CO ₂ e), intensity (metric ton CO ₂ e/NT\$ million), and the scope of data coverage.				
	2022		2023	
	Total Emissions (metric tons of CO ₂ e)	Intensity (metric tons of CO ₂ e/ NT\$ million)	Total Emissions (metric tons of CO ₂ e)	Intensity (metric tons of CO ₂ e/ NT\$ million)
Scope 1	107.0581	0.0315	103.0052	0.0337
Scope 2	110,100.9042	32.3667	81,118.3592	26.5553
Total	110,207.9623	32.3982	81,221.3644	26.5890

Note 1: Direct Emissions (Scope 1, emissions directly from sources owned or controlled by the Company), Energy Indirect Emissions (Scope 2, emissions from the consumption of purchased electricity, heat, or steam), and Other Indirect Emissions (Scope 3, emissions from activities of the Company not related to energy consumption but from sources owned or controlled by other companies).

Note 2: The coverage of data for direct emissions and energy indirect emissions should comply with the schedule set forth in Section 2 of Article 10 of these guidelines. Information on other indirect emissions may be voluntarily disclosed.

Note 3: Greenhouse Gas Inventory Standard: Greenhouse Gas Protocol (GHG Protocol) or the International Organization for Standardization (ISO) standard ISO 14064-1.

Note 4: The intensity of greenhouse gas emissions can be calculated per unit of product/service or per unit of revenue, but at a minimum, the data calculated per unit of revenue (in NT\$ million) must be detailed.

1-1-2 Greenhouse Gas Verification Information

Explanation of the verification status for the most recent two fiscal years up to the date of publication of the annual report. This includes the scope of verification, the verification unit, the verification criteria, and the verification opinion.			
2022		2023	
Verification Unit	Verification Status Description	Verification Unit	Verification Status Description
British Standards Institution (BSI)	The British Standards Institution (BSI) conducted the verification procedure in accordance with ISO 14064-3 standards. The verification results found no violations of substantive limits and were in compliance with the recognized level of reasonable assurance.	PwC Taiwan	PricewaterhouseCoopers (PwC) performed their procedures based on the evidence obtained and did not identify any significant deviations from the Greenhouse Gas Protocol (GHG Protocol) in all material respects, consistent with a limited assurance level.

1-2 Greenhouse Gas Reduction Targets, Strategies, and Specific Action Plans

Explanation of the base year for greenhouse gas reductions and its data, reduction targets, strategies, and specific action plans along with the status of achieving these reduction targets.
<p>1-2-1 Greenhouse Gas Reduction Base Year and its Data</p> <p>The Company's greenhouse gas emissions data have been inventoried and verified by an external organization starting from the year 2022, which has been designated as the base year for reductions. According to the inventory results from the British Standards Institution (BSI), the Company's greenhouse gas emissions in 2022 amounted to 110,207.9623 metric tons CO₂e.</p>

1-2-2 Greenhouse Gas Reduction Targets

The Company has set an annual greenhouse gas reduction target of 1%.

1-2-3 Strategies and Specific Actions

The majority of the Company's greenhouse gas emissions originate from Scope 2 indirect emissions due to the carbon emissions from purchased electricity, which account for over 99.5% of our total emissions. Therefore, our strategy focuses primarily on internal electricity conservation, supplemented by the purchase of green electricity. The specific actions include:

1. Consolidation of production equipment, merging production lines that are more efficient and consume less electricity, and phasing out energy-intensive production lines.
2. Centralization of production areas to reduce electricity consumption by air conditioning systems.
3. Process adjustment, optimizing the conditions of energy-intensive processes to reduce electricity consumption during production.
4. Replacement and retirement of old and energy-consuming facility equipment.
5. Encouraging and promoting energy conservation among employees.

1-2-4 Status of Achieving Reduction Targets

1. In 2023, the total electricity consumption was 90.7 million kWh, which represents a reduction of 24.3% compared to the 119.7 million kWh consumed in 2022.
2. In 2023, the total greenhouse gas emissions amounted to 81,221.3644 metric tons CO₂e, representing a 26.3% reduction compared to the 110,207.9623 metric tons CO₂e reported in 2022.

(VI) Ethical Corporate Management:

Evaluation Item	Status (Note 1)		Description	Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		
I. Establishment of ethical corporate management policies and programs				
(I) Has the Company established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the Board of Directors and senior management to rigorous and thorough implementation of such policies?	✓		(I) The Company has established an Ethical Corporate Management Best Practice Principles with reference to the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and has actively implemented its operating policies.	In line with the Ethical Operation Principle for TWSE/TPEX Listed Companies.
(II) Does the Company establish assessment mechanism for risks of unethical behaviors, and regularly analyze and evaluate operating activities having higher risks of unethical behaviors within the operating scope, and thus establish plans preventing unethical behaviors, and at least include preventive measures set out in paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”?	✓		(II) The Company has established "Moral Behaviors Principle", and analyzed operating activities with higher risks of unethical behaviors within the operating scope, and enhanced related prevention measures.	In line with the Ethical Operation Principle for TWSE/TPEX Listed Companies.
(III) Does the Company clearly state the operating procedure, behavior guidelines, discipline of violation, and grievance procedure in the unethical behavior prevented programs, and practice	✓		(III) The Company’s “Ethical Operation Principle” sets program of preventing unethical behaviors, and states operating procedure, behavior guidelines, and grievance	In line with the Ethical Operation Principle for TWSE/TPEX Listed Companies.

Evaluation Item	Status (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
implementation, and regularly review and amend the preceding program?			system, and practice implementation.	
<p>II. Fulfillment of ethical corporate management</p> <p>(I) Does the Company evaluate business partners' ethical records and include ethics-related clauses in the business contracts signed with the counterparties?</p> <p>(II) Has the Company set up a dedicated unit under the Board of Directors to promote ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct?</p>	<p>✓</p> <p>✓</p>		<p>(I) The Company will assess the ethical corporate management of business records from vendors or business entities in contact, and require important suppliers to sign a "Letter of Commitment" to indicate the terms against improper interest.</p> <p>(II) The Company appointed the General Accounting and Investment Management Office, to be responsible for establishing policy and supervision of ethical corporate management (presented on January 26, 2024) :</p> <ol style="list-style-type: none"> 1. Each Board of Directors, the stakeholders involved in the Board of Directors are subject to the principle of avoidance of interests. 2. Under the supervision of the Board of Directors, the management personnel's financial information disclosed to the securities authorities on a 	<p>In line with the Ethical Operation Principle for TWSE/TPEX Listed Companies.</p> <p>In line with the Ethical Operation Principle for TWSE/TPEX Listed Companies.</p>

Evaluation Item	Status (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
(III) Has the Company established policies to prevent conflicts of interest, provide appropriate communication channels, and implement them accordingly?	✓		<p>quarterly basis is complete, fair, accurate and immediate.</p> <p>3. The new employee training emphasizes the importance of integrity, and clearly prohibits dishonesty.</p> <p>4. In fiscal year 2023, the Company organized internal and external education and training related to ethical corporate management topics, with a total of 369 participants and clocking 1,223 hours. The course contents included induction for new employees, product safety, labor safety and defense, corporate governance, internal control and internal audit, etc.</p>	In line with the Ethical Operation Principle for TWSE/TPEX Listed Companies.

Evaluation Item	Status (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
(IV) Has the Company established an effective accounting system and internal control system for the implementation of integrity operation, and the internal auditing unit made related audit plan based on the assessment result of the dishonesty risk to check the implementation of the dishonesty prevention plan, or entrusts an accountant to perform the check?	✓		(IV) The Company has established an effective accounting system and internal control system, and the auditors regularly check the compliance of the internal control system.	In line with the Ethical Operation Principle for TWSE/TPEX Listed Companies.
(V) Does the Company regularly hold internal and external education training for ethical corporate management?	✓		(V) The Company holds educational training from time to time, to allow all personnel fully understands the Company's determination, policies, prevention programs and results in violations of dishonesty.	In line with the Ethical Operation Principle for TWSE/TPEX Listed Companies.
III. Operation of the whistle-blowing system				
(I) Does the Company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	✓		(I) The Company has established a "Procedure for Handling Reports of Illegal, Unethical, or Dishonest Conduct." Should any violations of ethical behavior or integrity in management be discovered, reports can be made in writing or via email to the spokesperson, the Human Resources Department, or the Audit Unit.	In line with the Ethical Operation Principle for TWSE/TPEX Listed Companies.

Evaluation Item	Status (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
(II) Has the Company established the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and related confidentiality mechanisms?	✓		(II) In accordance with the Company's "Procedure for Handling Reports of Illegal, Unethical, or Dishonest Conduct," the identity of the reporter and the content of the report are strictly confidential.	In line with the Ethical Operation Principle for TWSE/TPEX Listed Companies.
(III) Does the Company provide proper whistleblower protection?	✓		(III) In accordance with the Company's "Procedure for Handling Reports of Illegal, Unethical, or Dishonest Conduct," if an allegation is verified as true, it shall be handled in accordance with legal requirements and the Company's relevant disciplinary procedures.	In line with the Ethical Operation Principle for TWSE/TPEX Listed Companies.
IV. Enhanced disclosure of ethical corporate management information				
(I) Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company's website and MOPS?	✓		(I) The Company has disclosed the Ethical Operation Principle on the Company's website and promoted the achievements.	In line with the Ethical Operation Principle for TWSE/TPEX Listed Companies.
V. If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation. The Company has established a "Code of Integrity" which is in line with the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies".				
VI. Other important information to facilitate better understanding of the Company's ethical corporate management (e.g., review of and amendments to ethical corporate management policies)				

Evaluation Item	Status (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
The Company shall, at all times, monitor the development of relevant local and international regulations concerning ethical corporate management and encourage their Directors, managers and employees to make suggestions based on which the adopted ethical corporate management policies and measures taken will be reviewed and improved with a view to achieving better implementation of ethical management.				

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

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

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

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

1. Procedures for Handling Material Internal Information of the Company

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

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

Position	Name	Date	Training Institution	Course Name	Training Hours
Chairman and Chief Strategy Officer	Wong, Ming-Sen	2023.8.10	Taiwan Corporate Governance Association	Legal issues related to ESG that Boards should consider	3
Chairman and Chief Strategy Officer	Wong, Ming-Sen	2023.12.11	Taiwan Securities and Futures Market Development Foundation	Practical analysis of "Sustainability Report" in Corporate Governance 3.0	3
Executive Deputy General Manager	Yang, Ya-Hsiu	2023.8.10	Taiwan Corporate Governance Association	Legal issues related to ESG that Boards should consider	3

Position	Name	Date	Training Institution	Course Name	Training Hours
Executive Deputy General Manager	Yang, Ya-Hsiu	2023.12.11	Taiwan Securities and Futures Market Development Foundation	Practical analysis of "Sustainability Report" in Corporate Governance 3.0	3
Chief Financial Officer/ Corporate Governance Supervisor	Chen, Chun-Wei	2023.8.10	Taiwan Corporate Governance Association	Legal issues related to ESG that Boards should consider	3
Chief Financial Officer/ Corporate Governance Supervisor	Chen, Chun-Wei	2023.9.4	Financial Supervisory Commission	The 14th Taipei Corporate Governance Forum - Afternoon Session	3
Chief Financial Officer/ Corporate Governance Supervisor	Chen, Chun-Wei	2023.10.23	Taiwan Accounting Research and Development Foundation	Enhancing corporate governance and internal control compliance through intellectual property management	6

(IX) Internal Control System Execution Status:

1. Statement of Internal Control System

CMC Magnetics Corporation
Statement on Internal Control

Date: March 14, 2024

Based on the findings of a self-assessment, CMC Magnetics Corporation states the following with regard to its internal control system during 2023:

- I. The Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Its purpose is to reasonably ensure that operational effectiveness and efficiency (including income, performance, and asset safety) and reporting are reliable, timely, and transparent, as well as to ensure compliance with relevant regulations and laws.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its 3 stated objectives above. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond control. Nevertheless, the internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
- III. The Company evaluates the design and operating effectiveness of the internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (herein below, the "Regulations"). The criteria adopted by the Regulations identify 5 components of internal control based on the process of management control: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communication; and 5. monitoring operations. Each key component includes several items. Please refer to the Regulations for the aforementioned items.
- IV. The Company has evaluated the design and operating effectiveness of the internal control system according to the Regulations.
- V. Based on the findings of such evaluation, the Company believes that, on December 31, 2023, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
- VI. This statement is an integral part of the Company's annual report and prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This statement was passed by the Board of Directors in their meeting held on March 14, 2024, with none of the eight attending Directors expressing dissenting opinions, and all members affirming the content of this Statement.

CMC Magnetics Corporation

Chairman: Wong, Ming-Sen

General Manager: Sekiyama Takayuki



2. If the contract accountant project examines the internal control system, it shall disclose the accountant's review report: N/A.

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

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

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

Meeting date	Category	Important resolutions and implementation status
June 13, 2023	Shareholders' Meeting	1. Adoption of the 2022 business report and financial statements. Implementation Status: The approval ratio of this vote was 95.64%, therefore the case was passed. 2. Adoption of the 2022 loss write-off. Implementation Status: The approval ratio of this vote was 95.79%, therefore the case was passed.

2. Major Resolutions of Board Meetings:

Meeting date	Category	Major Resolutions	Implementation Status
January 9, 2023	The Board of Directors	None	
March 14, 2023	The Board of Directors	1. Change to the Certified Accountant of PricewaterhouseCoopers, Taiwan. 2. The suitability and independence evaluation and appointment of the Company's Certified Accountant. 3. 2022 annual financial report and business report. 4. Loss write-off table of the Company in 2022. 5. To pre-approve the provision of non-confirmation services to the Company and its subsidiaries by the licensed accounting firm, alliance firm and its affiliates.	Implemented according to the resolution. Implemented according to the resolution. Implemented according to the resolution. Implemented according to the resolution. Implemented according to the resolution.

Meeting date	Category	Major Resolutions	Implementation Status
		<ol style="list-style-type: none"> 6. 2022 annual statement of internal control system. 7. Matters related to the general shareholders meeting in 2023. 	<p>Implemented according to the resolution.</p> <p>Implemented according to the resolution.</p>
May 12, 2023	The Board of Directors	<ol style="list-style-type: none"> 1. Change to the Certified Accountant of PricewaterhouseCoopers, Taiwan, and suitability and independence evaluation. 2. The Company's consolidated financial report for Q1 2023. 3. The Company's account receivables transferred to capital loans as of March 31, 2023. 	<p>Implemented according to the resolution.</p> <p>Implemented according to the resolution.</p> <p>Implemented according to the resolution.</p>
August 11, 2023	The Board of Directors	<ol style="list-style-type: none"> 1. The Company's consolidated financial report for Q2 2023. 2. Appointment and dismissal of Accounting Controller. 3. Proposed to change the custodian of the Company's Ministry of Economic Affairs official seal. 	<p>Implemented according to the resolution.</p> <p>Implemented according to the resolution.</p> <p>Implemented according to the resolution.</p>
October 11, 2023	The Board of Directors	<ol style="list-style-type: none"> 1. Proposed to amend the Company's "Procedure for Handling Reports of Illegal, Unethical, or Dishonest Conduct". 	<p>Implemented according to the resolution.</p>
November 10, 2023	The Board of Directors	<ol style="list-style-type: none"> 1. The Company's consolidated financial report for Q3 2023. 2. Proposal to adopt the Company's 2024 audit plan. 3. Proposed to amend the Company's "Procedures for Appointment and Changes of Certified Public Accountants and Accounting Firms". 4. Appointment of the General Manager for the Company. 	<p>Implemented according to the resolution.</p> <p>Implemented according to the resolution.</p> <p>Implemented according to the resolution.</p> <p>Implemented according to the resolution.</p>
January 26, 2024	The Board of Directors	<ol style="list-style-type: none"> 1. The Company proposes to establish the position of Chief Strategy Officer under the Board of Directors and appoint a personnel to fill this position. 	<p>Implemented according to the resolution.</p>

Meeting date	Category	Major Resolutions	Implementation Status
March 14, 2024	The Board of Directors	<ol style="list-style-type: none"> 1. The Company's financial report and business report of 2023. 2. The Company's appropriation of earnings of 2023. 3. The suitability and independence evaluation and appointment of the Company's Certified Accountant. 4. The Company's CPA remuneration case. 5. 2023 annual statement of internal control system. 6. The Company's Distribution of Employee Remuneration and Director Remuneration for 2023. 7. Reelection of Directors. 8. Nomination and consideration of Candidates for Directors (including Independent Directors). 9. Proposal to release the newly elected directors of the Board of Directors of the Company and their Representatives from non-competition restrictions. 10. Matters related to the general shareholders meeting in 2024. 	<p>Implemented according to the resolution.</p> <p>Implemented according to the resolution.</p> <p>Implemented according to the resolution.</p> <p>Implemented according to the resolution.</p> <p>Implemented according to the resolution.</p> <p>Implemented according to the resolution.</p> <p>Implemented according to the resolution.</p> <p>Implemented according to the resolution.</p> <p>Implemented according to the resolution.</p> <p>Implemented according to the resolution.</p>

(XII) In the most recent year and the date of publication of the annual report, the Director or Supervisor has different opinions on the important resolutions passed by the Board of Directors and has a record or written statement. The main content: No such incident.

(XIII) Summary of the resignation of the Company's Chairman, General Manager, accounting supervisor, financial supervisor, internal audit supervisor and R&D supervisor in the most recent year and the end of the annual report:

April 16, 2024

POSITION	NAME	DATE OF ARRIVAL	DATE OF DISMISSAL	REASONS FOR RESIGNATION OR DISMISSAL
ACCOUNTING CONTROLLER	CHENG, KAI-LING	2022.08.12	2023.08.21	Retirement
General Manager	Wong, Ming-Sen	1978.12.02	2023.12.25	DISMISSAL

V. Information on CPA Professional Fees

(I) Information on Certified Practicing Accountant Professional Fees

Unit: NT\$ Thousand

Name of CPA Firm	Name of CPA	Audit Period	Audit Fees	Non-audit Fees	Total	Note
PWC Taiwan	Wang, Song-Tse	2023	6,330	-	6,330	
	Lin, Chun-Yao					
	Huang, Wen-Li	2023	-	940	940	Profit seeking enterprise income tax certification
	Liu, Hsin-Ping	2023	-	800	800	Transfer pricing and group master file

1. The CPA Firm is altered and the audit fee in altering year is less than that in the previous year, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: No such incident.
2. The audit fee is reduced by over 10% compared with the previous year, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: No such incident.

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

VI. Information on Replacement of the CPA

From Q1 2023 financial report onwards, due to the reorganization within PwC Taiwan, the CPAs have been changed from CPAs Chang, Shu-Chiung and Wang, Song-Tse, to CPAs Wang, Song-Tse and Lin, Chun-Yao.

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

No such incident.

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

Unit: Share

Position	Name	2023		As of April 16, 2024	
		Shareholding Increase (Decrease)	Pledged Shares Increase (Decrease)	Shareholding Increase (Decrease)	Pledged Shares Increase (Decrease)
Chairman	Wong, Ming-Sen	0	0	0	0
Director	Yang, Ya-Hsiu	0	0	0	0
Director	Tseng, Yi-An	0	0	0	0
Director	Tsai, Tsung-Han	0	0	0	0
Director	Tsai Wong, Ya-Li	0	0	0	0
Independent Director	Wu, Cheng-Hsiu	0	0	0	0
Independent Director	Shiau, Fung-Shyung	0	0	0	0
Independent Director	Lee, Ming-Yen	0	0	0	0
General Manager	Sekiyama Takayuki	0	0	0	0
Senior Deputy General Manager	Yang, Li-Jung	0	0	0	0
Accounting Controller	Lee, Yung-Chih	0	0	0	0
Chief Financial Officer	Chen, Chun-Wei	0	0	0	0

Note: The counterparties of the equity pledge are related, then the party should fill in the information on the equity pledge: No such incident.

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

April 16, 2024

NAME (NOTE 1)	SELF SHAREHOLDING		SPOUSE & MINOR SHAREHOLDING		TOTAL SHAREHOLDING BY NOMINEES		THE DESIGNATION, NAME OR RELATION OF THE COMPANY'S TOP 10 LARGEST SHAREHOLDERS WHO ARE RELATED, AS SPOUSE, OR WITHIN THE SECOND DEGREE OF KINSHIP OF ANOTHER. (NOTE 3)		NOTE
	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership	Name	Relationship	
Wong, Ming-Sen	86,459,355	7.94%	Spouse 27,792,318	2.55%	None	None	Yang, Li-Jung	Spouse	
Yang, Li-Jung	27,792,318	2.55%	Spouse 86,459,355	7.94%	None	None	Wong, Ming-Sen	Spouse	
Citibank in custody of Polunin Emerging Markets Fund Investment Account	16,826,028	1.54%	None	None	None	None	None	None	
Zhongyang Investment Co., Ltd.	15,727,200	1.44%	None	None	None	None	None	None	
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund	13,248,313	1.22%	None	None	None	None	None	None	
Concord International Securities Co., Ltd.	12,783,558	1.17%	None	None	None	None	None	None	
JPMorgan Chase Bank N.A. Escrow Advanced Starlight Advanced Aggregate International Share Index	11,929,253	1.10%	None	None	None	None	None	None	
JPMorgan Chase Bank in custody of JP Morgan Co., Ltd Investment Account	9,441,796	0.87%	None	None	None	None	None	None	
Yang, Ya-Hsiu	9,317,996	0.86%	None	None	None	None	None	None	
Tsai, Ruei-Rong	7,714,656	0.71%	None	None	None	None	None	None	

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

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

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

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

Unit: Thousand Shares

December 31, 2023

Investee business (Note 1)	Ownership by the Company		Investment by Directors/Supervisor/Managerial Officers and Companies Directly or Indirectly Controlled by the Company		Total Ownership	
	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership
Transtouch Technology Inc.	15,173	51.99%	73	0.25%	15,246	52.24%
Deltamac (Taiwan) Co., Ltd.	14,892	38.91%	7,128	18.62%	22,020	57.53%
CIA Holding Corporation	29,688	86.35%	4,692	13.65%	34,380	100.00%

Note 1: The investment of the Company under equity method

Chapter IV Capital Raising Activities

I. Capital and Shares

(I) Source of Capital

Unit: Thousand Shares; NT\$ \$ Thousand

Year/Month	Par Value	Authorized Capital		Paid-in Capital		Note		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Capital Increase by Assets Other than Cash	Others
2019.08	10	4,500,000	45,000,000	1,158,881	11,588,812	Note 1	None	None
2022.09	10	4,500,000	45,000,000	1,089,348	10,893,483	Note 2	None	None

Note 1: 567,135,167 shares were decreased for covering losses (approved by the Ministry of Economic Affairs, August 12, 2019, Document No. 10801107180)

Note 2: Cash reduction of 695,328,720 shares (approved by the Ministry of Economic Affairs, September 8, 2022 Document No. 11101173110).

Share Type	Authorized Capital			Note
	Issued Shares (Note)	Unissued Shares	Total	
Common stock	1,089,348 thousand shares	3,410,652 thousand shares	4,500,000 thousands shares	Note

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

General information about the reporting system: No such incident.

(II) Status of Shareholders

April 16, 2024

Status of Shareholders Number/ Amount	Government Agencies	Finance Institutions	Other Institutional Shareholders	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
	Number of persons	1	0	258	147,498	156	147,913
Shareholding (shares)	3,760	0	44,030,551	935,232,433	110,081,584	1,089,348,328
Percentage of Ownership (%)	0.00%	0.00%	4.05%	85.85%	10.10%	100%

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

(III) Distribution of Shares

April 16, 2024

Class of Shareholding	Number of shareholders	Shareholding (shares)	Shareholding Ratio (%)
1~999	69,094	17,865,062	1.64
1,000~5,000	53,107	119,171,135	10.94
5,001~10,000	13,109	97,067,183	8.91
10,001~15,000	3,918	47,905,688	4.40
15,001~20,000	2,596	47,490,976	4.36
20,001~30,000	2,167	55,372,460	5.08
30,001~40,000	1,053	37,399,762	3.43
40,001~50,000	731	34,168,957	3.14
50,001~100,000	1,222	88,135,210	8.09
100,001~200,000	515	72,412,267	6.65
200,001~400,000	234	64,779,741	5.95
400,001~600,000	58	28,374,726	2.60
600,001~800,000	31	21,497,479	1.79
800,001~1,000,000	17	15,788,587	1.45
Over 1,000,001	61	341,919,095	31.39
Total	147,913	1,089,348,328	100.00

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

(IV) Major Shareholders

April 16, 2024

Names of Major Shareholders	Shares	Shareholding (shares)	Shareholding Ratio (%)
Wong, Ming-Sen		86,459,355	7.94%
Yang, Li-Jung		27,792,318	2.55%
Citibank in custody of Polunin Emerging Markets Fund Investment Account		16,826,028	1.54%
Zhongyang Investment Co., Ltd.		15,727,200	1.44%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund		13,248,313	1.22%
Concord International Securities Co., Ltd.		12,783,558	1.17%
JPMorgan Chase Bank N.A. Escrow Advanced Starlight Advanced Aggregate International Share Index		11,929,253	1.10
JPMorgan Chase Bank in custody of JP Morgan Co., Ltd Investment Account		9,441,796	0.87%
Yang, Ya-Hsiu		9,317,996	0.86%
Tsai, Ruei-Rong		7,714,656	0.71%

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

Item		Year		
		2022	2023	Current Year, up to April 16, 2024 (Note 8)
Market Price per share (Note 1)	Highest	13.80	15.55	12.65
	Lowest	6.25	7.24	10.60
	Average	8.70	10.69	11.34
Net Worth per share (Note 2)	Before distribution	15.18	16.96	-
	After distribution	15.18	16.28	-
Earnings per share	Weighted Average Shares (Thousand Shares)	1,131,830	1,089,348	-
	Earnings per share (Note 3)	(0.95)	1.61	-
Dividends Per Share	Cash dividends	0	0.68	-
	Stock dividends	0	0	-
		0	0	-
	Accrued Unpaid Dividends (Note 4)	0	0	-
Return on Investment	P/E Ratio (Note 5)	-	6.64	-
	Price/Dividend Ratio (Note 6)	-	15.72	-
	Cash Dividend Yield (Note 7)	-	6.36%	-

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

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

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

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

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

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

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

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

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

(VI) Dividend Policy and Its Implementation

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

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

2. The proposed dividend distribution of the shareholders' meeting: At the Board of Directors meeting held on March 14, 2024, it was proposed that the Company distribute a cash dividend of NT\$0.68 per share from the retained earnings. This proposal will be submitted for approval at the Annual General Meeting of Shareholders for the fiscal year 2024.

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

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

(VIII) Remuneration of Employees and Directors

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

2. In the current period, the estimated basis of the compensation for employees and Directors, the calculation basis for the number of shares paid by the employees of the stock, and the actual distribution amount are calculated when there is a difference between the estimated number of shares: At the Board of Directors meeting held on March 14, 2024, the Company approved the distribution of cash remuneration for employees and directors for the fiscal year 2023 based on the profit of that year. Should there be a discrepancy between the estimated amounts and the actual amounts distributed, this will be treated as a change in accounting estimate and adjusted in the accounts in the year of distribution.

3. The Board of Directors passed the distribution of compensation: At the Board of Directors meeting held on March 14, 2024, the Company approved the distribution of cash compensation for the fiscal year 2023, amounting to NT\$7,000,000 for employees and NT\$1,600,000 for directors.
4. The actual distribution of employees and Directors' compensation in the previous year (including the number of shares, amount and stock price), and the difference between the recognition of employees and Directors' compensation shall be stated, the reason and status: The Company did not distribute any remuneration to employees and directors in 2022.

(IX) Status of share repurchases

None.

II. Corporate Bonds

None.

III. Preferred Shares

None.

IV. Status of Global Depository Receipts (GDR)

None.

V. Status of Employee Stock Warrants

None.

VI. Status of New Restricted Employee Shares

None.

VII. Status of New Shares Issuance in Connection with Mergers and Acquisitions

None.

VIII. The Status of Implementation for Capital Allocation Plans

None.

Chapter V Operational Overview

I. Business Operation

(I) Scope of Business

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

Item	Percentage accounted for operation revenue in year 2022	Percentage accounted for operation revenue in year 2023
Photoelectric and peripheral products	91.12%	91.03%
Others	8.88%	8.97%

3. Currently, primary business operation, products produced and sold are as follows:
 - Photoelectric products manufacturing and trading
 - Manufacture and sale of various packaging boxes
 - Trading of other electronic products
4. Future projects development:
 - (1) High-end optical discs
 - a. Develop the mass production of high-level archival disc
 - b. Develop high-level double-sided discs of 300GB and 500GB and with higher storage capacity
 - c. Develop system and discs specified for the big data and B-to-B markets
 - d. Develop holographic discs with high storage capacity of over 1.5TB
 - e. Development of Higher-Capacity Defect Management disc for specific disc drives
 - (2) Engraving development: developing high-capacity and professional optical disc master process
 - (3) Special surface treatment of disc: super hard surface, laser sensitivity, image surface
 - (4) Development of high-capacity disc process equipment

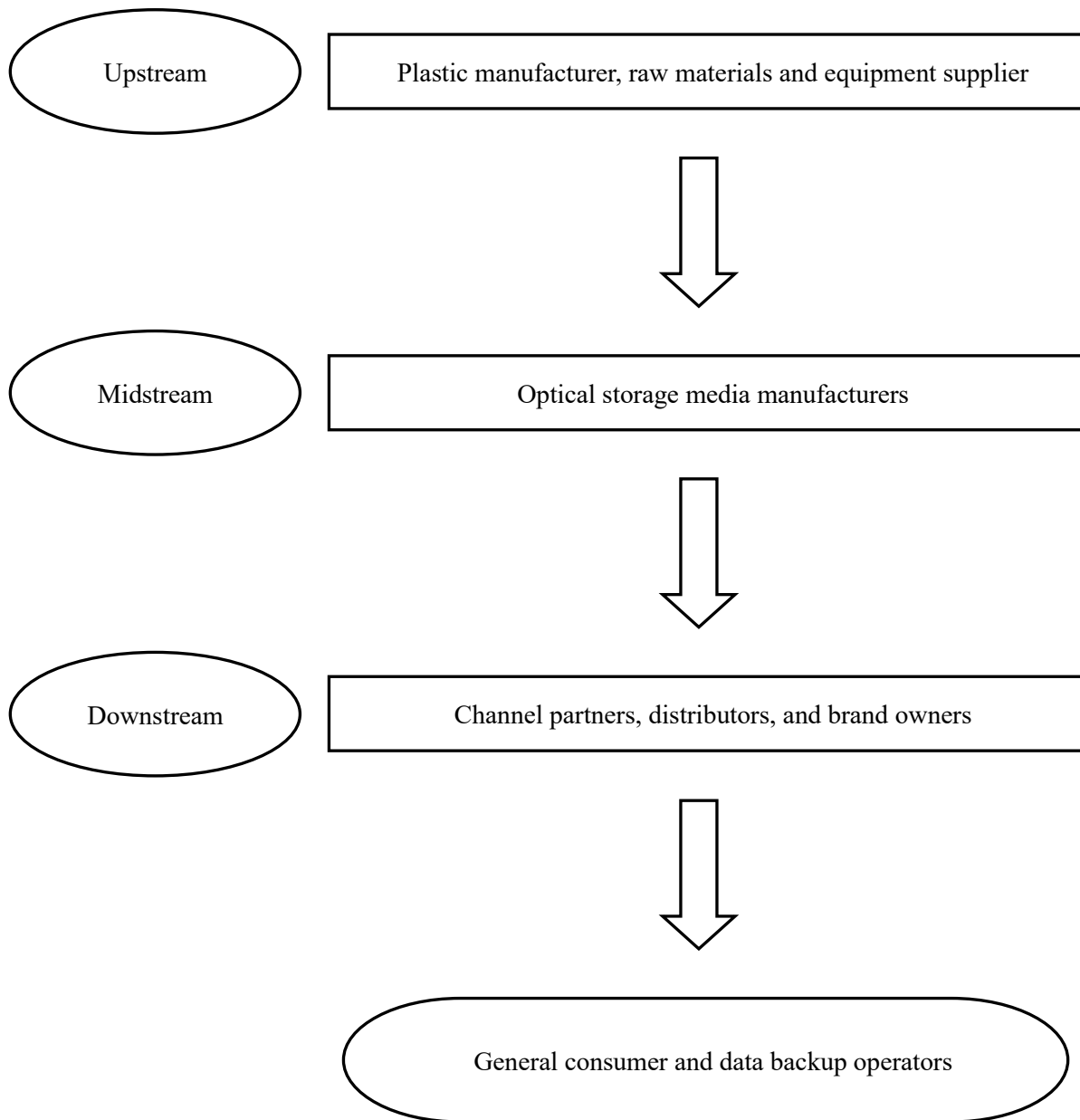
(II) Industry overview

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

The global storage media market and channels are undergoing the next step of integration in 2023. The Company's Verbatim products are sold in the U.S., Europe, Japan, and Asia Pacific, achieving high brand loyalty and stable sales. The company has obtained a high market share while other competitors are quitting from the market. At present, the Company has taken a market share of more than 60%, which may increase year by year as expected. Although the cost of raw materials has increased, Verbatim optical disc products have occupied a high brand market share in major markets around the world due to the continued Mitsubishi production technology, and are more able to reflect production costs and stabilize sales and profit than other optical disc peers. Furthermore, the era of digital television and high-resolution 4K/8K programs have officially arrived. Blu-ray discs have become one of the mainstream of home audio-visual entertainment. In particular, NHK in Japan began broadcasting 8K satellite channel programs in December 2018, with the resolution increasing to 7680X4320 pixels, 16 times that of FULL HD. Consumers in the Japanese market have always had the habit of backup of TV programs. Once the resolution increases, the capacity demand for storage media will also double, and driven by the popularization of peripheral software and hardware applications, it is expected that high-end optical disc products will become the most popular optical storage products.

Data tsunami is coming, and 80% of the enterprise information by digital documents, multimedia files, and other forms of unstructured content, information is becoming the fastest growing types, the next five years 70% of the world's data center need to be changed, it's difficult to satisfy the next generation of high density on the one hand, the original room server and storage device and cooling energy demand. In the post-epidemic era, enterprise operations and business activities are rapidly changing. Work from home has accelerated the arrival of the trend of remote management and process automation, thus doubling the demand for storage capacity. In order to accelerate the computing speed and transmission of data, the hybrid cloud architecture that combines public cloud and private cloud resources is conducive to the development of regional data center systems. High-capacity archive disc system cabinets can be flexibly connected to regional data center systems in series, and is featured by low energy consumption, long storage time and high data security. In particular, regardless of NAND FLASH, HDD or TAPE, there is a risk of data loss. In addition, there have been frequent occurrences of global information security issues in recent years. For example, in July 2023, China Motor Corporation experienced a cybersecurity ransomware attack that led to the shutdown of several production lines, resulting in economic losses and damage to the Company's reputation. This incident underscores the importance of offline data backups. Among the various options, optical discs emerge as the best choice for offline backups due to their energy efficiency and low carbon footprint. Certified by TÜV Rheinland, CMC's high-capacity archival-grade optical discs have a data retention period of more than 50 years, which is same level as the discs produced by Japanese optical disc manufacturers, and is superior to other optical disc peers. With this, CMC can provide regional data centers with optical storage media that have stable quality and high data security.

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



(III) Research and Development Achievements and Plans

1. R&D Department Organization

Organization Unit	Responsibilities and Functions
CMC Media Institute of Technology (CMCMIT)	<p>CMC Media Institute of Technology (CMCMIT) is the creative and strategic center of CMC. During the operating, the elite of each department of CMC would be gathered: such as the R&D engineers, intellectual property team, and strategic marketing professionals to brainstorm and deep dive into discussion, and careful evaluation. Product development schedule is planned based on thorough planning and put into action. The key objective is to improve the competitiveness of the Company and achieve the concept of sustainable management.</p> <p>The current pioneering research plan includes:</p> <ol style="list-style-type: none"> 1. Forwardly oversee the technical development of optical storage media product. 2. Technical development of B2B professional optical disc. 3. Product development and promotion of a total solution from custom disk drive to disc.
One-time recording process group	<p>4x/6xSL high-end disc process yield and capacity increase. Development of high-end disc organic and inorganic materials. 6xDL high-end disc process yield and capacity increase. 4xTL TL high-end disc process and material development. A study on the compatibility of a one-time burn-in disc and a disc player. Analysis of recording materials and related papers in a one-time burn-in disc. Patent applications and international journal paper submissions.</p>
Rewritable discs. (Rewritable) process group	<p>High-end 2xSL disc process yield and capacity increase. High-end 2xDL disc process yield and capacity increase. CD, DVD rewritable optical disc and disc player compatibility research. Research on the compatibility of rewritable discs and disc players. Reproducible recording material analysis and related paper research. Patent applications and international journal paper submissions.</p>
Dye (Dye) Development Team	<p>Treatment of dyes and various chemical solvents in the plant for recycling, in order to save costs and implement the concept of environmental protection and corporate social responsibility. Deepen the research strength of chemical synthesis, further development of next-generation optical storage materials: Research and develop dyes for high-capacity optical disc wavelengths.</p>
Mastering process (Mastering) Study Group	<p>Develop high-capacity mastering such as blue single-layer and multi-layer storage discs, and research the development of new generation materials to achieve the best balance between cost, performance and quality.</p>
Prospective Technical Research Group	<p>Set-up and research of advanced optical storage systems. Development and research of optical discs for testing.</p>

2. R&D Strategy

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

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

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

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

3. Future R&D Plans

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

4. Performance and Achievements

(1) Performance

2023

On top of continuing to develop the B2B professional optical disc product market, the Company also began mass production of high-end BDRTL100GB to the high-capacity audio and video demands of 8K. Over and above, the Company commenced the sales of BD-RTL double-sided 200GB products targeted at high-end data backup market, and expects to continue the mass production and sales of Defect Management disc in 2023, and plan to continue developing higher-capacity lossless data discs in 2024, relentlessly increasing the proportion of high-margin products.

(2) Achievements

Awarded Items	Achievements Description
<ul style="list-style-type: none"> ● Obtained international certification for: BD-RSL2X/4X/6X ● Obtained international certification for: BD-RESL2X ● Obtained international certification for: BD-RDL6X ● Obtained German TUV certification laboratory durability certification: BD-RSL 6X/BD-RESL2X/BD-RDL6X ● Obtained international certification for: BD-RTL4X100G 	<ul style="list-style-type: none"> ● The Company inherited its own disc manufacturing technology, developed BD-RTL100G Blu-ray products, and passed the international A-level laboratory certification, which was recognized by customers. ● The Company has obtained ISO16963 international certification for DVD file-level optical discs. ● Besides Japan, BD-RSL6x/BD-RDL6x/BD-RESL2x made the Company as the first optical disc manufacturer to pass the durability certification of the German TUV certification laboratory. The Company mainly develops for entities with large and long-term data preservation demands, such as hospitals, libraries, cloud data centers, military units, etc. ● The antibacterial optical discs of the Company obtained the certification by Society of International sustaining growth for Antimicrobial Articles (SIAA).

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

Unit: NT\$ Thousand

Year	2022	2023	Current Year, up to April 16, 2024
R&D Investment Amount	\$335,369	\$288,422	\$78,780
% of the total operating income	4.36%	3.91%	4.28%

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

1. Short-term sales strategy

The Verbatim products of the Company have been sold in Europe, America, Japan, Asia Pacific, Latin America and other major markets steadily in the last year. In the price-oriented market, discs as well as other storage and computer peripheral products have been popular among the end-users by building the brand image, maintaining customer relationship, and expanding the storage media and computer peripheral product lines for a long time, so as to further increase the market share of the Company. In Addition, the Company has an exclusive disc technology and ink formula authorized from Japan Taiyo Yuden in the professional market. Its production line CMC Pro has been used for backup saving in government agencies, schools, libraries, and medical units in Europe and America. It is also the best choice of customized discs for video and audio studios. Not only is the market demand stable and high unit price, but it is also the cornerstone for CMC's leadership in the disc industry technology and continuous growth in market share.

2. Long-term sales strategy

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

In recent years, "ransomware" has become rampant and many businesses and individuals have suffered huge losses. The data could be put into optical storage devices through one-time burning and cannot be changed. Therefore, ransomware can not hack and modify the data stored on discs. Compared with mechanical discs and SSDs, optical storage discs could maintain the data security, which is a great advantage. In the post-epidemic era, the demand for cloud storage has doubled, and optical storage is an indispensable solution for cloud data centers in line with the trend of environmental protection, energy saving and high information security as well as international regulations.

II. Market and Production/Sales Overview

(I) Market Analysis

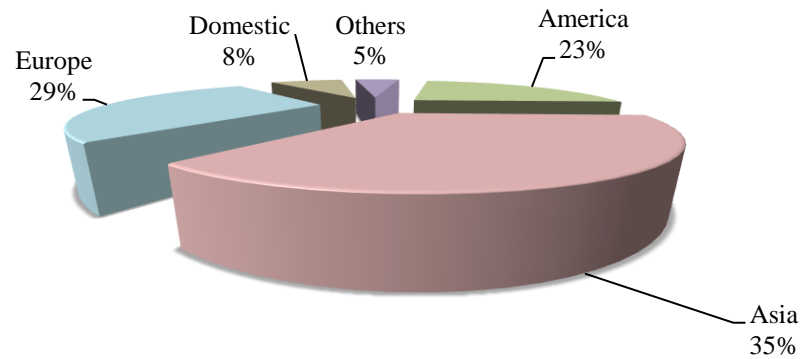
1. Sales region of primary products

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

Area of sales listed as per below:

Sales Territory	America	Asia	Europe	Domestic	Others
Percentage of Sales	23%	35%	29%	8%	5%

Distribution of sales ratio in sales regions



2. Market Share

The Company has a long history of investing in and focusing on the development of storage media products, and maintained its leading position with production technologies and stable product quality. The Company acquired Verbatim and its global sales channels at the end of 2019. By upholding the brand spirit of “Technology you can trust”, with the customer relations developed for years, the Company has increased its market share in the storage media industry year by year. In recent years, the Company has been dedicated to developing marketable and forward-looking high-performance storage media products and cloud storage solutions, becoming a professional storage media manufacturer and brand distributor worldwide.

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

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

In February 2023, Panasonic announced the discontinuation of production of Blu-ray discs for burning. With a complete line of Blu-ray products and stable technology and quality, the announcement of the Japanese manufacturers' withdrawal from the market and the balance of supply and demand will be favorable for us to increase our market share.

In line with the overall deployment of China's "13th Five-Year Plan for the National Economic and Social Development of the People's Republic of China." and the related work arrangements under the "The 13th Five-Year

Plan" planning system by the Ministry of Industry and Information Technology, the application of big data has become a priority project. Magneto-optical storage media are an important option for offsite backup of cold data, and our company's optical storage media also have significant potential for development. This aligns with the strategic focus on enhancing data management and storage solutions, particularly in the context of the growing demand for reliable and secure data backup options.

4. Beneficial factors for competitive niche and development prospects

(1) Successfully mastered mainstream products and obtained leadership position

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

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

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

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

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

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

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

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

CMC is favored by internationally renowned manufacturers. In the market of optical discs, CMC works with well-known client entities; retain an enduring business relationship with these international companies has become one of the most important core competitiveness of CMC. In addition, the Company is currently one of the leading suppliers of internationally renowned channel optical discs. This is one of the reasons why CMC can maintain a friendly relationship with long-term and close strategic partners in a highly competitive industry. In terms of industry outlook, CMC placed more emphasis on product research and development, actively cooperated with international companies and developed the next phase of product development, to have a solid grip of high- margin market opportunities and gain an advantage to take lead in technology.

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

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

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

(II) Production management

1. Production strategy

Wars around the globe and the climate crisis continuously test the resilience of businesses. Despite weak global economic growth, the field of artificial intelligence (AI) is rapidly advancing, with frequent usage in smartphones, smart appliances, and computers. This has spurred the rise of home entertainment, virtual reality (VR)/augmented reality (AR), streaming services (within the ICT industry), multimedia content, and mobile gaming, thereby driving an increase in data storage demands. The technological transformations brought about by AI have made sustainable technology a focus. Carbon capture and emissions issues, as well as the circular economy, are being directly integrated into product design. Our company will continue to improve manufacturing processes, apply mature technologies, and enhance the efficiency of key technologies.

Production strategy and objectives for the year:

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

mutual encouragement to enhance self-ability and cultivate the ability of the organization to think as a whole, so that its quality and ability can meet the Company's development needs.

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

2. Key product functions and manufacturing process

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

3. Product Quality

- (1) Enhanced Feature: improved from recording optical storage media product to digital optical storage media, and from low recording speed to high recording speed optical disc.
- (2) Improved satisfaction level: work closely with customers to satisfy needs, solve problems, and achieve zero customer complaint product quality.
- (3) Verification of Optical storage media products:
 - CD-R obtained Philips2-52X product verification.
 - DVD-R has passed DVD Forum Class A Verification Laboratory 1X, 4X and Pioneer2X, 4X, 8X, 16X certifications, and passed Class A Laboratory 8X and 16X certifications in 2005. 18X and above received verification.
 - Passed PioneerDL4X certification in 2006, obtained DL8X certification in 2007. DVD-RCSS-MR (MODtype) passed DVD Forum Class A Verification Laboratory certification in 2008. Concurrent development of DL12X.

- DVD+R obtained Philips 2.4X, 4X, 8X, 16X, and DL2.4X product verification, whilst received verification for 18X and above in series. Obtained Philips DL8X product verification in 2006. Obtained 8cm DL2.4X Philips verification in 2007, and simultaneously developing DL16X.
 - DVD+RW obtained Philips 2.4X/4X/8X product verification.
 - Blu-ray disc BD-R SL 25GB 2X/4X obtained product verification from Class-A Verification Laboratory and Certification in 2007.
 - Blu-ray disc BD-RE SL 25GB 2X obtained product verification from Class-A Verification Laboratory and Certification in 2007.
 - Blu-ray disc BD-R SL 25GB 6X obtained product verification from Class-A Verification Laboratory and Certification in 2008.
 - Pre-recordable Blu-ray disc BD-ROM obtained product verification from Class-A Verification Laboratory and Certification in 2008.
 - DVD-R CSS download EST type obtained Product Verification from Class-A Verification Laboratory and Certification for Compatibility from Drive Manufacturers in 2009.
 - Single-layer Blu-ray disc (BD-R) received “carbon footprint of product demonstration model of manufacturing industry” and PAS 2050:2008 product carbon footprint verification certificate from Industrial Development Bureau.
 - Blu-ray disc BD-R DL 50GB 6X obtained product verification from Class-A Verification Laboratory and Certification in 2010.
 - Single-layer DVDR disc received “carbon footprint of product demonstration model of manufacturing industry” and PAS 2050:2011 product carbon footprint verification certificate.
 - Imported TAIYO YUDEN manufacturing technology from Japan in 2015.
 - DVD-R obtained ISO16963 product verification from Class-A Verification Laboratory (TDTC) in 2018.
 - Blu-ray disc BD-R TL 100GB 4X obtained product verification from Class-A Verification Laboratory and Certification in 2019.
- (4) Factory Certification and Accreditation:
- All factories have obtained ISO9001 certification.
 - LinKou factory obtained ISO14001 certification.
 - LinKou factory obtained ISO45001 certification.
 - LinKou factory obtained SONY Green Partner certification.
 - Implementation of ISO14064 certification in 2010.
 - Implementation of AEO Quality Enterprise Supply Chain Management Counseling in 2011.
 - All factories have passed the Taiwan Occupational Safety & Health Management System certification (TOSHMS).

- Implementation of ISO28000 Supply Chain Security Management in 2012.
- Obtained ISO14064 greenhouse gas certification in 2013.
- All factories are certified with C-TPAT Customs and Border Protection of the U.S. Department of Homeland Security in 2013
- DVDR of all factories have obtained PAS 2050:2011 product carbon footprint verification certificate in 2013.
- Blu-ray disc have obtained PAS 2050:2011 product carbon footprint verification certificate in 2013.
- Obtained ISO 50001 Energy Management System certification in 2019.
- Implemented initiatives to reduce greenhouse gas emissions in 2020.

(5) Quality control monitoring equipment:

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

4. Establishing Culture of Quality

- (1) Expedite operation flow: from the beginning, we discussed the direction of experiment and test, to accelerate product development.
- (2) Eliminate waste costs: eliminate waste of time, personnel, materials and other costs caused by poor planning. Expand the application of mature technologies to enhance the efficiency of raw material usage.
- (3) Improving on-site efficiency: observe on-site improvement status, investigation problems behind the problem, development of improvement of development process, establishment of new breakthrough station, delivery site efficiency.
- (4) Create a learning organization: see mistakes as opportunities for learning, not to blame individuals, but to take corrective action and widely disseminate knowledge gained from each experience within the organization.

5. Establish risk management

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

6. Occupational Safety Management

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

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

7. Net zero carbon emissions

With international pledges to achieve net zero carbon emission by 2050, net zero emission becoming widespread and trend of carbon border adjustment mechanisms in Europe and the United States, net zero transformation is no longer an environment protection discussion topic but a developmental trend for energy conservation, and carbon reduction and energy management systems. The Company has adjusted the structure of its energy use for manufacturing and established an energy management mechanism. With an eye toward reducing greenhouse gas emissions while taking into account of the environmental sustainability, the Company complemented renewable energy with energy storage equipment to conserve energy and improve energy efficiency. In line with global sustainability indicators, the production strategy introduced energy-saving, green energy and environmentally friendly (degradable) materials into the manufacturing process through the three R indicators - "Reduce", "Recycle" and "Reuse".

8. Environment, Social, Governance (ESG)

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

(III) Supply status of main raw materials

Main Raw Material	Source of Raw Materials	Supply Situation
PC material	Taiwan, Middle East, Germany, Thailand, etc.	<ol style="list-style-type: none"> 1. The Company purchases PC materials from Taiwan, the Middle East, Germany, Thailand and other regions to increase bargaining flexibility and diversify procurement risks. 2. The Company has formed a partnership with some suppliers, so it has an advantage in the acquisition of raw materials. 3. The Company has high sensitivity to the PC material market price and fast decision-making efficiency; and in the group bargaining mode, it has a purchasing advantage for the price control of PC materials.

Main Raw Material	Source of Raw Materials	Supply Situation
Target materials	Japan, Taiwan and Europe	<ol style="list-style-type: none"> 1. More than half of the target materials have been supplied by Taiwan target suppliers; therefore, the delivery period is short and the supply source is relatively stable. 2. The direct material of the target is mainly silver. The price fluctuation of silver in the market varies greatly with the crude oil and financial index. It is well controlled by the procurement department and will not be disconnected due to market changes. 3. Work with suppliers to continuously plan and improve targets in order to increase the number and efficiency of spills per target, which will help to significantly reduce costs.
Dye	Switzerland, Japan	<ol style="list-style-type: none"> 1. Suppliers in Switzerland and Japan help to diversify procurement and purchase risks. 2. The Company regularly estimates the purchase amount per quarter according to the capacity demand and expansion plan, and negotiates the price and orders at the quarter to guarantee the supply of raw materials for the first quarter. 3. The Company has the ability to develop dyes, and from time to time arrange suppliers to the factory and process and R & D departments for technical exchanges to control the market development.

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

1. Manufacturers accounting for more than 10% of procurement volume

Unit: NT\$ Thousand

Item	2022				2023			
	Name	Amount	Percentage in Total Net Purchases (%)	Relationship with the Issuer	Name	Amount	Percentage in Total Net Purchases (%)	Relationship with the Issuer
1	A	795,478	16	None	A	174,453	4	None
2	Others	4,258,119	84	None	Others	3,950,334	96	None
	Net purchase	5,053,597	100		Net purchase	4,124,787	100	

Note 1: Reason for changes: Based upon sales requirements.

Note 2: No single supplier accounted for more than 10% of our supply this year.

2. Customers who account for more than 10% of the sale price

Unit: NT\$ Thousand

Item	2022				2023			
	Name	Amount	Percentage in Total Net Sales (%)	Relationship with the Issuer	Name	Amount	Percentage in Total Net Sales (%)	Relationship with the Issuer
1	A	936,458	12	None	A	967,218	13	None
2	Others	6,755,918	88	None	Others	6,417,229	87	None
	Net sales	7,692,376	100		Net sales	7,384,447	100	

Note 1: Reason for changes: Based upon sales requirements.

(V) Production value in the last two years

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

Main Products \ Year	2022			2023		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Optical storage and peripheral products	29,858	22,885	2,550,290	30,181	18,190	2,059,230
Others	-	-	10,327	-	-	8,168
Total	29,858	22,885	2,560,617	30,181	18,190	2,067,398

(VI) Sales volume in the last two years

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

Main Products \ Year	2022				2023			
	Domestic Sales		Foreign Sales		Domestic Sales		Foreign Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Optical storage and peripheral products	138	27,568	435,235	6,981,564	141	25,582	390,159	6,696,203
Others	-	498,646	-	184,598	-	530,473	-	132,189
Total	138	526,214	435,235	7,166,162	141	556,055	390,159	6,828,392

III. Human Resources and Employee Profile

(I) Human resources strategy

1. Human resources strategy of the Company:

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

2. Objectives:

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

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

Year		2022	2023	Current Year, up to April 16, 2024
Number of Employees	Operator	492	423	385
	Technician	58	58	58
	Employees	149	140	134
	Total	699	621	577
Average age		42.56	43.27	43.64
Average Service Year		12.24	12.86	13.21
Academic distribution ratio	PhD	1.57%	1.93%	2.25%
	Master's	6.58%	7.73%	7.97%
	Bachelor's	71.39%	71.01%	70.89%
	High school	16.17%	14.98%	14.56%
	Below high school	4.29%	4.35%	4.33%

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

(III) Promoting diversity and equality the workplace:

We believe that “a successful business is based on its outstanding employees”. Through various plans related to salary policy, promotion system and talent development, we strive to achieve the goal of retaining talents. We also adhere to the concept of “equal pay for equal work” and will not differentiate payments based on gender, age, race, religion, political stance, union affiliation, etc. The percentage of women employees hired in 2023 was 37% and the percentage of women executives was 26%.

IV. Disbursements for Environmental Protection

(I) Emission of greenhouse gases:

The Company considers the reduction of greenhouse gas emissions as necessary in response to climate change and global warming, and has been working to decrease emissions in recent years. All employees participate in energy-saving and carbon reduction efforts to reach our reduction goals. Annually, we implement energy-saving plans that include improving manufacturing processes, replacing outdated equipment, and adjusting air compressor efficiency. We implement energy management in the factory while regularly tracking and reviewing greenhouse gas emissions and related management policies. The results of our greenhouse gas inventory serve as the basis for our annual energy-saving and carbon reduction goals, which are set to reduce carbon emissions by 1% each year. For more information on greenhouse gas inventories, please refer to page 64-66 of this annual report.

(II) Annual water consumption:

The Company is committed to various water conservation measures, and continuous leak detection and monitoring to prevent abnormal water loss, and implement various water conservation improvement measures for production research to reduce water usage and wastewater discharge.

Unit: Million liters

Year	Original water withdrawal	Water consumption	Water discharge
2022	485	194	291
2023	309	51	258

(III) Water waste disposal:

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

(IV) Electrical energy use:

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

Power management data	
Unit: million KW/H	
Year	Electricity
2022	119.7
2023	90.6

(V) Waste treatment:

The waste output of the Company over the past two years is as follows:

Unit: metric tons

Year	Hazardous	General business	Total
2022	27.47	136.54	164.01
2023	40.23	53.00	93.23

The waste currently produced by the Company can be divided into 3 types as per follow:

1. General business waste: It is currently submitted to the incineration plant after being cleared by the B-level removal agency for disposal.
2. Hazardous business waste: It is currently being disposed of by a Class A cleaning and disposal company.
3. Recycling of resources: Handed over to the disposal and recycling entities, due to the implementation of waste classification management, recycling tonnage has grown substantially, and CMC will continue to work to reduce general business waste and harmful businesses in the future. Other waste, such as pallets, scrap iron, and space bags are all acquired by related companies.

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

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

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

(VI) Work environment and employee safety protection:

The Company continues to promote the TOSHMS, ISO45001 and ISO14001 systems to provide a safe and healthy working environment for employees:

1. Safety:

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

2. Health:

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

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

(VII) Environmental protection expenditure

Amount of environmental investment are as follow:

Unit: NT\$ Thousand

Item	2023	Current Year, up to April 16, 2024
Air pollution control expense	2,651	1,006
Water pollution control expense	114	1
Waste reduction and treatment, resource recovery, energy conservation expense	6,289	908
Environmental protection system certification fee (certification fee, environmental monitoring fee)	432	62
Environmental protection related education and training expense	33	23
Environmental protection related personnel expenses	1,844	445
Environmental related hardware expenses	3,331	3,336
Total	14,694	5,781

V. Labor Relations

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

- Employee outing: Arrange several different options for company travel tours for employees to choose from.
 - Leisure activities: Organize photography competitions and essay competitions.
 - Festival gifts: Provide gifts during Dragon Boat Festival, Mid-Autumn Festival, Labor Day and other festivals to celebrate
 - Birthday gift: Provide birthday gifts and hold birthday party.
 - Staff Restaurant: Provides a clean, bright, hygienic dining environment and delicious meals at great value.
 - Employee dormitory: Provide convenient accommodation for employees not from local area
 - Wedding and funeral funds: Subsidy for employee wedding and funeral
 - Injury and sympathy funds: Subsidy for employee going through injury or hospitalization
 - Departmental luncheon or get-together: Reserve certain funding for department function, for team unity.
 - Year-end party: Year-end employee appreciation dinner party.
 - Year-end lottery raffle: Conduct lottery of various prizes, to show gratitude to staff for their year- round contribution.
 - Christmas party: Get together with employee during holiday season.
 - Movie-night and appreciation of art exhibitions: Give away tickets to employee, to increase appreciation of letter arts and literature.
 - Periodical health check-up: Routine health check-up for the employee
 - Scholarships: Set up a Central Scholarship to provide school grants and attract talents to join CMC.
 - Various discounts from corporate account: Work with various business entities to offer diverse corporate account perks and discounts for employee to enjoy and shop at.
 - Groupon: Use CMC’s corporate resources to purchase good quality products in group-on price.
 - Employee retirement system: Well-rounded retirement plan for employee
 - Nutrition management: In order to strengthen employees' health awareness, we provide health care information for employees' reference and invite professional doctors to provide psychological counseling and health advice to employees.
 - Care for major injuries, illnesses and disasters, provided care and concern through phone calls manned by full-time nursing staff every now and then, and assisted in finding various cancer-related information for employees.
- (III) The Company is committed to nurturing talents. In addition to implementing pre-employment training, it also provides multiple on-the-job training to enrich staff skills and advance toward multiple functional goals. The current training plan includes:

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

Results of 2023 Employee Education and Training:

Course	Total Headcounts	Total Hours
New Employee Orientation	33	198
Safety Course	131	459
Disaster Prevention	104	336
Professional Skill	347	2,001
Management Course	18	54
Total	633	3,048

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

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

VI. Information security management

In order to promote and ensure the sustainable and stable operation of its information security management system, the Company's former "Information Security Management Committee" has been renamed "Information Security Promotion Team" to coordinate the formulation of information security policies, compliance with laws and regulations, and training of personnel to strengthen the security and protection capabilities of information systems, equipment and network communications, and reduce the risk of theft, misuse, leakage, tampering or destruction of information assets caused by human negligence, intentional or natural disasters, so as to protect the security of employees, customers, suppliers and operation-related information assets and ensure the sustainable operation of the Company.

(I) Information security management structure

For information security management, the Chief Information Security Officer shall be assigned, who shall act as the convener of the "Information Security Promotion Team" and hold annual meetings to review and decide on information security and information protection guidelines and policies, and to communicate information security management and review guidelines and directions to the entire company through the "Information Security Promotion Team" to ensure the effectiveness of the information security management measures.

The "Information Security Promotion Team" consists of the "Information Security Audit Unit", "Information Security Control Unit", and "Information Security Management Unit", which are responsible for information security and physical security planning and related audits. The information security audit unit audits and monitors the effectiveness of information security management, implement supervision and audit to ensure the continued effectiveness of information security regulations. The information security management unit shall develop a multi-layer information and communication security protection, regularly review and implement improvement tasks including information and communication security measures, education and training and publicity, etc., to ensure that important confidential information is not leaked. The information security management unit shall be responsible for the management of employee behavior and actual application of security by the head of each department. When employees violate relevant norms and procedures, they shall be punished according to the code of conduct such as work rules and the employee manual, and according to the violations.

(II) Goals of information security management

1. Ensure data consistency in information systems, and balance information security with information sharing.
2. All information operation related measures shall ensure the security of information and prevent the leakage or loss of sensitive and confidential data.

3. Adequately protect information assets (including software, hardware, network communication facilities and databases, etc.), and adopt appropriate backup and response facilities and operations to prevent damage to information assets caused by unauthorized or negligent operations.
 4. Reinforce information security strategy advocacy through various channels.
- (III) Specific initiatives for information security management
1. Prevent external information security attacks: Set up security mechanisms such as firewalls, antivirus software, email filters, etc.
 2. Elevate alertness of employees for information security: Reinforce employees' handling of information and emails from unknown sources through advocacy of correct concepts of information security, sharing of latest information security issues and case studies, etc.
 3. Prevent internal information security threats: Employees signing confidentiality clauses, keeping records of data access and sent emails for verification, approval by unit heads based on job requirements for user ids and user permissions.
 4. Information security settings: Regular auto-backup for important information, and conduct drills for backup recovery from time to time.
- (IV) Resources dedicated towards information security management
1. Customer privacy and information protection

CMC has no complaints about violation of customer privacy rights or loss of customer data in 2023. The Company has a deep understanding of the importance of customer personal data and privacy protection, regards strict compliance with the Company's personal information and privacy policy as a priority, and requires all employees to prudently protect the confidential and exclusive information provided to us by customers. However, the risk and technology of network system being compromised or intruded are evolving rapidly. To that end, the Company has turned to the following mechanisms for information security and protect customer information to ensure customer privacy:

 - (1) Employees signing confidentiality clauses and fulfill their responsibilities and obligations.
 - (2) Step up advocacy for personal information and information security awareness among employees.
 - (3) In terms of management or work premises, there are relevant requirements for photocopying, faxing and archival of confidential documents, and there are relevant restrictions on computer equipment and data storage media to ensure data security.
 - (4) In terms of operation security management, it is ensured that only authorized users have access to information and the use of relevant equipment when needed.

(5) In terms of anti-virus and anti-hacking, in addition to the Company's network firewall and anti-virus measures, reinforce employees' handling of information and emails from unknown sources.

2. Implementation outcome for corporate information and communication security measures in 2023 is as follows:

Goals	Implementation outcome
Social engineering drill, education and training to prevent malicious email (for all employees)	<ol style="list-style-type: none"> 1. Social engineering drill, education and training to prevent malicious email were completed 10 times in 2023, with notifications provided at irregular intervals. 2. All employees have been able to respond properly to phishing emails to protect them from phishing emails.
Information Security Seminar	Two educational training sessions have been conducted.
Establishment of Website for Information Security and Personal Data Protection and Education and Training Examination	<ol style="list-style-type: none"> 1. All employees have participated in the test. 2. Through our cybersecurity courses, we have provided training on "website access," "phishing email protection," "personal information security," and other related cybersecurity knowledge and skills. This was supplemented by assessments on a cybersecurity testing platform, with 86.67% of participants scoring above 80 points.
Importing SSL Certificates	Implemented a website encryption certification mechanism to reduce the risk of hackers compromising our official website.
Improving email security	Introducing DMARK, SPF, DKIM and other mechanisms to enhance verification and block phishing emails.
Database Backup and Offsite Restoration Drills	<ol style="list-style-type: none"> 1. Established a systematic daily automatic check of database backups to prevent any omissions. 2. Set up mechanisms for weekly and monthly local and offsite database re-backups to ensure no data is overlooked. 3. Completed two offsite restoration drills for virtual servers.
Asset inventory	Completed 100% of information asset inventory

(V) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken: No such incident.

VII. Important Contract

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

Chapter VI Financial Status Overview

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

(I) Condensed Balance Sheets and Statements of Comprehensive Income

1. Condensed consolidated balance sheet

Unit: NT\$ Thousand

Item		Year	Financial information in the last 5 years (Note 1)				
			2019	2020	2021	2022	2023
Current assets			14,096,882	13,284,631	13,123,459	13,280,065	14,452,219
Property, plant and equipment			6,329,013	5,547,534	4,799,706	4,332,671	3,917,081
Intangible assets			181,740	146,877	110,758	61,038	46,940
Other Assets			4,850,505	5,825,967	6,120,136	5,741,555	7,078,190
Total Assets			25,458,140	24,805,009	24,195,959	23,415,329	25,494,430
Current liabilities	Before distribution		3,995,718	3,406,467	3,395,309	3,715,716	3,280,340
	After distribution		4,227,494	4,217,684	3,511,197	3,715,716	(Note 2)
Non-current liabilities			1,928,774	2,076,891	2,355,540	2,833,171	3,394,576
Total Liabilities	Before distribution		5,924,492	5,483,358	5,750,849	6,548,887	6,674,916
	After distribution		6,156,268	6,294,575	5,866,737	6,548,887	(Note 2)
Equity attributable to owners of parent			19,226,542	18,976,575	18,111,876	16,540,781	18,479,903
Share capital			11,588,812	11,588,812	11,588,812	10,893,483	10,893,483
Capital surplus			7,700,295	7,642,963	6,830,667	6,714,779	6,720,506
Retained earnings	Before distribution		213,793	150,933	306,213	(744,895)	968,382
	After distribution		39,961	150,933	306,213	(744,895)	(Note 2)
Other equity interest			(276,358)	(406,133)	(613,816)	(322,586)	(102,468)
Treasury Stock			0	0	0	0	0
Non-controlling interest			307,106	345,076	333,234	325,661	339,611
Total Equity	Before distribution		19,533,648	19,321,651	18,445,110	16,866,442	18,819,514
	After distribution		19,301,872	18,510,434	18,329,222	16,866,442	(Note 2)

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

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

2. Condensed Consolidated Income Statement

Unit: NT\$ Thousand

Item	Year	Financial information in the last 5 years (Note 1)				
		2019	2020	2021	2022	2023
Sales Revenue		7,045,247	9,401,027	8,712,988	7,692,376	7,384,447
Gross Profit		1,118,481	2,003,393	1,998,251	1,465,261	1,660,218
Operating Income		(93,604)	(231,344)	(129,531)	(529,845)	(345,750)
Non-operating income and expenses		307,283	460,894	407,905	(406,627)	2,149,720
Net profit (loss) before tax		213,679	229,550	278,374	(936,472)	1,803,970
Net profit (loss) for the ongoing operating business unit		211,516	124,827	131,137	(1,082,896)	1,759,237
Loss from Discontinued Operations		(43,930)	0	0	0	0
Net Profit (loss)		167,586	124,827	131,137	(1,082,896)	1,759,237
Other Comprehensive Income (Loss), After Tax		38,983	(149,294)	(198,961)	315,445	185,792
Total comprehensive income for the year		206,569	(24,467)	(67,824)	(767,451)	1,945,029
Net profit (loss) attributable to the equity holders of the parent company		228,705	111,073	161,186	(1,077,677)	1,750,238
Net profit (loss) attributable to non-controlling interests		(61,119)	13,754	(30,049)	(5,219)	8,999
Comprehensive Income Attributable to Owners of the Parent		256,575	(44,537)	(38,234)	(759,878)	1,933,395
Comprehensive Income Attributable to Non-controlling Interests		(50,006)	20,070	(29,590)	(7,573)	11,634
Basic Earnings (Loss) Per Share		0.20	0.10	0.14	(0.95)	1.61

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

3. Condensed individual balance sheet

Unit: NT\$ Thousand

Item	Year	Financial information in the last 5 years (Note 1)				
		2019	2020	2021	2022	2023
Current assets		8,867,449	7,992,051	7,556,538	7,543,845	8,933,049
Property, plant and equipment		4,840,399	4,235,057	3,784,790	3,427,831	3,178,005
Intangible assets		105,379	93,161	66,593	37,592	10,352
Other Assets		10,317,279	11,119,484	10,880,840	11,076,969	11,969,662
Total Assets		24,130,506	23,439,753	22,288,761	22,086,237	24,091,068
Current liabilities	Before distribution	2,073,851	1,606,112	2,122,054	3,020,748	2,464,133
	After distribution	2,305,627	2,417,329	2,237,942	3,020,748	(Note 2)
Non-current liabilities		2,830,113	2,857,066	2,054,831	2,524,708	3,147,032
Total Liabilities	Before distribution	4,903,964	4,463,178	4,176,885	5,545,456	5,611,165
	After distribution	5,135,740	5,274,395	4,292,773	5,545,456	(Note 2)
Share capital		11,588,812	11,588,812	11,588,812	10,893,483	10,893,483
Capital surplus		7,700,295	7,642,963	6,830,667	6,714,779	6,720,506
Retained earnings	Before distribution	213,793	150,933	306,213	(744,895)	968,382
	After distribution	39,961	150,933	306,213	(744,895)	(Note 2)
Other equity interest		(276,358)	(406,133)	(613,816)	(322,586)	(102,468)
Treasury Stock		0	0	0	0	0
Total Equity	Before distribution	19,226,542	18,976,575	18,111,876	16,540,781	18,479,903
	After distribution	18,994,766	18,165,358	17,995,988	16,540,781	(Note 2)

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

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

4. Condensed Consolidated Individual Income Statement

Unit: NT\$ Thousand

Item	Year	Financial information in the last 5 years (Note)				
		2019	2020	2021	2022	2023
Sales Revenue		5,504,373	3,935,194	3,818,015	3,401,673	3,054,699
Gross Profit		887,759	648,258	526,441	540,034	531,175
Operating Income		328,510	(120,969)	(72,049)	(156,833)	(132,814)
Non-operating income and expenses		(90,196)	262,551	345,720	(905,492)	1,899,669
Net profit (loss) before tax		238,314	141,582	273,671	(1,062,325)	1,766,855
Net profit (loss) for the ongoing operating business unit		228,705	111,073	161,186	(1,077,677)	1,750,238
Loss from Discontinued Operations		0	0	0	0	0
Net Profit (loss)		228,705	111,073	161,186	(1,077,677)	1,750,238
Other Comprehensive Income (Loss), After Tax		27,870	(155,610)	(199,420)	317,799	183,157
Total comprehensive income for the year		256,575	(44,537)	(38,234)	(759,878)	1,933,395
Basic Earnings (Loss) Per Share		0.20	0.10	0.14	(0.95)	1.61

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

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

Year	CPA	Opinion
2019	Yu, Shu-Fen, Chang, Shu-Chiung	Unmodified opinion
2020	Yu, Shu-Fen, Chang, Shu-Chiung	Unmodified opinion
2021	Lin, Chun-Yao, Chang, Shu Chiung	Unmodified opinion
2022	Chang, Shu-Chiung, Wang, Song-Tse	Unmodified opinion
2023	Wang, Song-Tse, Lin, Chun-Yao	Unmodified opinion

II. Financial Analyses for the Past Five Fiscal Years

(I) Financial ratio analysis

1. Consolidated financial ratio analysis

Analysis Item		Financial Analyses for the Past Five Fiscal Years(Note 1)				
		2019	2020	2021	2022	2023
Financial Structure (%)	Debt ratio	23.27	22.11	23.77	27.97	26.18
	Ratio of long-term capital to property, plant, and equipment	339.11	385.73	433.37	454.68	567.11
Solvency (%)	Current ratio	352.80	389.98	386.52	357.40	440.57
	Quick ratio	268.61	301.55	282.71	262.28	352.75
	Interest coverage ratio	6.75	5.71	5.99	(13.82)	19.52
Operating Ability	Receivable Turnover (Times)	3.56	4.28	4.66	4.73	5.16
	Average days for cash receipts	102.52	85.28	78.32	77.16	70.73
	Inventory Turnover (Times)	1.93	1.99	1.86	1.62	1.62
	Payable Turnover (Times)	7.57	7.60	6.97	7.14	7.18
	Average days for sale of goods	189.11	183.41	196.23	225.30	225.30
	Property, Plant and Equipment Turnover (Times)	0.93	1.58	1.68	1.68	1.79
	Total Assets Turnover (Times)	0.28	0.37	0.36	0.32	0.30
Profitability	Return on Total Assets (%)	0.77	0.65	0.72	(4.34)	7.51
	Return on equity (%)	0.86	0.64	0.69	(6.13)	9.86
	Pre-tax net profit to paid-in capital ratio (%)	1.84	1.98	2.40	(8.60)	16.56
	Net Margin (%)	2.38	1.33	1.51	(14.08)	23.82
	Earnings Per Share (NT\$)	0.2	0.1	0.14	(0.95)	1.61
Cash Flow	Cash Flow Ratio (%)	-	6.85	-	-	21.08
	Cash Flow Adequacy Ratio (%)	222.87	69.47	-	-	-
	Cash Reinvestment Ratio (%)	-	-	-	-	2.12
Leverage	Operating leverage	-	-	-	-	-
	Financial leverage	-	0.83	0.70	0.89	0.78

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

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

(1) Analysis on financial structure:

Due to an increase in net profit after taxes this period, various financial structure indices have shown an increase compared to the previous period.

(2) Analysis on solvency:

Due to an increase in financial assets and pre-tax net profit, the various solvency indices have improved compared to the previous period.

(3) Analysis on profitability:

The profitability indicators were better than the previous period due to increase in net profit after tax.

(4) Cash flow analysis:

For relevant analysis, please refer to page 327 Description of cash flow, of the annual report.

2. Analysis of individual financial ratio

Analysis Item		Financial Analyses for the Past Five Fiscal Years (Note 1)				
		2019	2020	2021	2022	2023
Financial Structure (%)	Debt ratio	20.32	19.04	18.74	25.11	23.29
	Ratio of long-term capital to property, plant, and equipment	455.68	515.55	532.84	556.20	680.52
Solvency (%)	Current ratio	427.58	497.60	356.10	249.73	362.52
	Quick ratio	368.31	428.77	299.43	203.35	318.44
	Interest coverage ratio	7.87	4.48	7.08	(18.47)	21.20
Operating Ability	Receivable Turnover (Times)	4.40	3.15	3.07	2.79	2.82
	Average days for cash receipts	82.95	115.87	118.89	130.82	129.43
	Inventory Turnover (Times)	3.94	2.55	2.61	2.11	1.90
	Payable Turnover (Times)	5.72	6.78	6.73	6.53	7.60
	Average days for sale of goods	92.63	143.13	139.84	172.98	192.10
	Property, Plant and Equipment Turnover (Times)	1.09	0.87	0.95	0.94	0.92
	Total Assets Turnover (Times)	0.22	0.17	0.17	0.15	0.13
Profitability	Return on Total Assets (%)	1.02	0.60	0.86	(4.66)	7.88
	Return on equity (%)	1.19	0.58	0.87	(6.22)	10.00
	Pre-tax net profit to paid-in capital ratio (%)	2.06	1.22	2.36	(9.75)	16.22
	Net Margin (%)	4.15	2.82	4.22	(31.68)	57.30
	Earnings Per Share (NT\$)	0.2	0.1	0.14	(0.95)	1.61
Cash Flow	Cash Flow Ratio (%)	-	-	-	-	6.73
	Cash Flow Adequacy Ratio (%)	110.78	-	-	-	-
	Cash Reinvestment Ratio (%)	-	-	-	-	0.58
Leverage	Operating leverage	1.69	-	-	-	-
	Financial leverage	1.11	0.75	0.62	0.74	0.60

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

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

(1) Analysis on financial structure:

Due to an increase in net profit after taxes this period, various financial structure indices have shown an increase compared to the previous period.

(2) Analysis on solvency:

Due to an increase in financial assets and pre-tax net profit, the various solvency indices have improved compared to the previous period.

(3) Analysis on profitability:

The profitability indicators were better than the previous period due to increase in net profit after tax.

(4) Cash flow analysis:

For relevant analysis, please refer to page 327 Description of cash flow, of the annual report.

Note 2: Calculation Formula:

1. Financial structure

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

2. Solvency

- (1) Current ratio = Current assets/Current liabilities.
- (2) Quick ratio = (Current assets - Inventories - Prepaid expenses)/Current liabilities.
- (3) Interest coverage ratio = Income before tax and interest expenses/Interest expenses.

3. Operating Ability

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

4. Profitability

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

5. Cash Flow

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

6. Leverage:

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

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

1. Shares outstanding is based on weighted average shares, and not based on year end shares outstanding.
2. Cash offerings or treasury stock transactions are considered in calculating weighted average shares.
3. If there is any capitalization of retained earnings or capital surplus, the annual and semi-annual earnings per share of past years shall be retrospectively adjusted pro rata to the size of the capital increase, without considering the issuance period of the capital increase.

4. If preferred shares are cumulative non-convertible preferred shares, dividends shall be subtracted (regardless of whether they are paid out in dividends), from after tax net profit. If preferred shares are non-cumulative, in the event of net profits, preferred shares shall be subtracted after tax, but no adjustments needed if there are losses.

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

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

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

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

III. Annual Report of the Audit Committee for the Most Recent Fiscal Year
CMC Magnetics Corporation
Audit Committee's Review Report

It is to certify that

The CMC's 2023 Business Report, Financial Statements, and the profit distribution plan submitted by the Board of Directors have been reviewed by us, the Audit Committee of the Company. We have not found any inconsistencies with applicable laws in our review of the aforementioned documents. Therefore, we are hereby issuing this report in compliance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please review.

It is hereby presented to

2024 Annual General Shareholders' Meeting of CMC Magnetics Corporation

Convener of the Audit Committee

Shiau, Fung-Shyung



March 14, 2024

IV. Annual Financial Report for the Most Recent Fiscal Year

CMC Magnetics Corporation

Statement of Consolidated Financial Statements of Affiliated Companies

The entities that are required to be included in the consolidated financial statements of the Company as of and for the year ended December 31, 2023 (commencing from January 1, 2023 to December 31, 2023), under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, a separate set of combined financial statements will not be prepared.

Hereby certify

CMC Magnetics Corporation

Chairperson: Wong, Ming-Sen

March 14, 2024

Independent Auditors' Report

(2024) Order Cai-Shen-Pao No. 23004935

To CMC Magnetics Corporation,

Opinions

We have reviewed the accompanying consolidated balance sheets of CMC Magnetics Corporation, (the Company) and its subsidiaries (collectively, the Group) for the years ended December 31, 2023 and 2022 and the relevant consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and relevant notes, including a summary of significant accounting policies (collectively referred to as the consolidated financial statements).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022 and for the years then ended, and its consolidated financial performance and its consolidated cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China, based on our audit results and the audit reports of other certified public accountants (CPAs)(refer to the section of “Other Matters”).

Basis for Audit Opinions

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards (GAAS) in ROC. The accountant's responsibilities under these standards will be further explained in the accountant's responsibilities for reviewing the consolidated financial statements We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our auditing results and other independent auditors' reports, we believe that we have obtained sufficient and appropriate audit evidence to serve as the basis for our opinion.

Key Audit Matters

Key audit matters refer to the most vital matters in our audit of the consolidated financial statements of the Group for the year ended December 31, 2023 based on our professional judgment. Such matters have been dealt with in the course of auditing and compiling the consolidated financial statements and in the preparation of our audit opinion. As such, we do not respond to each key matter individually.

Key audit matters of the consolidated financial statements of the Company for the year ended December 31, 2023 are stated as follows:

Accounting estimation of inventory valuation

Description

Refer to Note 4(14) to the consolidated financial statements for accounting policies regarding inventory valuation; Note 5(2) for the uncertainty of accounting estimates and assumptions regarding inventory valuation; and Note 6(7) for details of inventory accounting titles.

The Group mainly manufactures and sells optical discs. Due to frequent market price fluctuations in such inventories, there is a higher risk of inventory valuation losses. The Group'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 Group's allowance for inventory valuation losses as one of the key audit matters for the current year.

Corresponding audit procedures

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

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

Evaluation of impairment of property, plant and equipment

Description

For the accounting policies for impairment of property, plant and equipment and non-financial assets, please refer to Notes 4(16) and 4(21) of the consolidated financial statements; for the uncertainty of accounting estimates and assumptions for impairment of property, plant and equipment, please refer to Note 5(2) of the consolidated financial statements; for the description of impairment accounting items of property, plant and equipment and non-financial assets, please refer to Notes 6(9) and 6(13) of the consolidated financial statements.

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

Corresponding audit procedures

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

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

Other Matters – Audits by other CPAs

The financial statements of some of the subsidiaries and investees that are included in the consolidated financial statements of the Group were not audited by us but by other CPAs. Therefore, the opinions issued by us regarding the amounts listed in such subsidiary

financial reports from the consolidated financial statements mentioned above are based on the audit report from other CPAs. The total assets of the aforementioned company as of December 31, 2023 and 2022 were NT \$2,209,357 thousand and NT \$2,521,568 thousand, respectively, accounting for 8.67% and 10.77% of the total consolidated assets; the operating income in 2023 and 2022 was NT \$2,096,295 thousand and NT \$2,415,901 thousand, respectively, accounting for 28.39% and 31.41% of the consolidated operating income. In addition, part of the Group's investments using the equity method in 2023 and 2022 and part of the information on investees disclosed in Note 13 are based on their evaluation and disclosures of the financial statements made by other CPAs appointed by the investees. We did not audit said financial statements. The balance of said investment using the equity method disclosed as of December 31, 2023 and 2022 was NT\$221,576 thousand and NT\$185,166 thousand, respectively, accounting for 0.87% and 0.79% of the total consolidated assets; the comprehensive income (including the share of profit and loss and other comprehensive income on associates and joint ventures recognized under the equity method) are NT\$35,796 thousand and NT\$(51,341) thousand, accounting for 1.84% and 6.69% of the total comprehensive income.

Other Matters - Parent Company Only Financial Reports

The Company has also prepared the parent company only financial statements for the years ended December 31, 2023 and 2022, for which we have issued an unqualified opinion, plus the audit report as in the section of other matters

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

The responsibility of the management is to prepare consolidated financial statements that are reasonably expressed in accordance with the Financial Reporting Standards for Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, Interpretations and Interpretations approved and issued by the Financial Supervisory Commission, and to maintain and consolidate financial statements. Necessary internal control related to the preparation of statements is undertaken to ensure that there is no material misrepresentation in the consolidated financial statements due to fraud or error.

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

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

CPAs' Responsibilities for the Audit of Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated 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 Consolidated Financial Statements; design and carry out appropriate countermeasures for the evaluated risk; and obtain sufficient and appropriate evidence as the basis for their audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Understand the internal control related to the audit in order to design appropriate audit procedures under the circumstances, while not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by the management.

4. Conclude on the appropriateness of the management's adoption of the going concern basis of accounting based on the audit evidence obtained and whether a material uncertainty exists for events or conditions that may cast significant doubt on the Group's ability to continue 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 Consolidated 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 Group to cease to continue as a going concern.
5. Evaluate the overall expression, structure and contents of the consolidated financial statements (including related notes) and whether the consolidated financial statements fairly presented relevant transactions and events.
6. Obtain sufficient and appropriate audit evidence concerning the financial information of entities within the Group, to express an opinion on the consolidated financial statements. We are responsible for the guiding, supervising, and performing the audit and forming an audit opinion on the Group.

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 Group's consolidated financial statements for the year ended December 31, 2023. 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

Wang Song-Tse

CPA

Lin Chun-Yao

Financial Supervisory Commission

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

1110349013

Former Securities and Futures Commission,

Ministry of Finance

Approval No.: (1996) Tai-Cai-Zeng (6) No. 68702

March 14, 2024

CMC Magnetics Corporation and Its Subsidiaries
Consolidated Balance Sheets
December 31, 2023 and 2022, January 1, 2022

Assets		Notes	December 31, 2023		(Adjusted) December 31, 2022		Unit: NT\$ thousands (Adjusted) January 1, 2022	
			Amount	%	Amount	%	Amount	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 2,943,293	12	\$ 2,763,663	12	\$ 2,613,653	11
1110	Financial assets at fair value through profit or loss - current	6(2)	6,850,832	27	5,088,550	22	4,705,065	19
1136	Financial assets at amortized cost - current	6(4) and 8	274,530	1	175,900	1	262,901	1
1150	Notes receivable, net	6(5)	6,555	-	12,577	-	7,322	-
1170	Net account receivables	6(5)(6) and 7	1,348,398	5	1,368,468	6	1,678,413	7
1200	Other receivables	6(6)	134,987	-	326,681	1	329,998	1
130X	Inventories	6(7)	2,734,354	11	3,355,340	14	3,330,559	14
1470	Other current assets	6(11)	159,270	1	188,886	1	195,548	1
11XX	Total current assets		<u>14,452,219</u>	<u>57</u>	<u>13,280,065</u>	<u>57</u>	<u>13,123,459</u>	<u>54</u>
Non-current assets								
1510	Financial assets at fair value through profit or loss - non- current	6(2) and 8	4,467,270	18	3,129,055	13	3,667,527	15
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	547,544	2	511,207	2	390,459	2
1535	Financial assets at amortized cost - non-current	6(4) and 8	28,739	-	15,743	-	15,331	-
1550	Investments accounted for using the equity method	6(8) and 7	221,576	1	185,166	1	173,761	1
1600	Property, plant and equipment	6(9)(13) and 8	3,917,081	15	4,332,671	19	4,799,706	20
1755	Right-of-use assets	6(10)	207,708	1	258,552	1	202,047	1
1760	Investment properties, net	6(12) and 8	613,947	2	616,843	3	549,585	2
1780	Intangible assets	6(13)	46,940	-	61,038	-	110,758	-
1840	Deferred income tax assets	6(31)	289,085	1	319,711	1	501,791	2
1900	Other non-current assets	6(3)(11) (14)(20)	702,321	3	705,278	3	661,535	3
15XX	Total non-current assets		<u>11,042,211</u>	<u>43</u>	<u>10,135,264</u>	<u>43</u>	<u>11,072,500</u>	<u>46</u>
1XXX	Total assets		<u>\$ 25,494,430</u>	<u>100</u>	<u>\$ 23,415,329</u>	<u>100</u>	<u>\$ 24,195,959</u>	<u>100</u>

(Continued on the next page)

CMC Magnetics Corporation and Its Subsidiaries
Consolidated Balance Sheets
December 31, 2023 and 2022, January 1, 2022

Unit: NT\$ thousands

Liabilities and equity	Notes	December 31, 2023		(Adjusted) December 31, 2022		(Adjusted) January 1, 2022		
		Amount	%	Amount	%	Amount	%	
Current liabilities								
2100	Short-term borrowings	6(15) and 8	\$ 450,000	2	\$ 700,000	3	\$ 546,958	2
2110	Short-term notes and bills payable	6(16)	99,687	-	50,000	-	50,000	-
2120	Financial liabilities at fair value through profit or loss- current	6(17)	648	-	1,952	-	-	-
2130	Contract liabilities – current	6(25)	78,163	-	94,740	-	161,741	1
2150	Notes payable		30,336	-	49,975	-	70,641	-
2170	Account payables		860,811	3	653,767	3	969,157	4
2200	Other payables	6(18)	631,657	3	431,382	2	644,934	3
2230	Current tax liabilities		350	-	2,323	-	6,726	-
2280	Lease liabilities - current		63,882	-	65,842	-	62,110	-
2320	Long-term liabilities due within one year or one operating cycle	6(19) and 8	925,000	4	1,525,000	7	725,000	3
2399	Other current liabilities - others		139,806	1	140,735	1	158,042	1
21XX	Total current liabilities		<u>3,280,340</u>	<u>13</u>	<u>3,715,716</u>	<u>16</u>	<u>3,395,309</u>	<u>14</u>
Non-current liabilities								
2540	Long-term borrowings	6(19) and 8	3,020,000	12	2,385,000	10	1,925,000	8
2570	Deferred income tax liabilities	6(31)	79,136	-	79,136	-	134,904	-
2580	Lease liabilities - non-current		182,741	1	237,661	1	135,564	1
2600	Other non-current liabilities	6(8)(20)	112,699	-	131,374	1	160,072	1
25XX	Total non-current liabilities		<u>3,394,576</u>	<u>13</u>	<u>2,833,171</u>	<u>12</u>	<u>2,355,540</u>	<u>10</u>
2XXX	Total liabilities		<u>6,674,916</u>	<u>26</u>	<u>6,548,887</u>	<u>28</u>	<u>5,750,849</u>	<u>24</u>
Equity								
Equity attributable to the owners of parent company								
Share capital								
3110	Common stock	6(21)	10,893,483	43	10,893,483	47	11,588,812	48
3200	Capital surplus	6(22)	6,720,506	27	6,714,779	28	6,830,667	29
Retained earnings								
3310	Legal reserve	6(23)	47,735	-	47,735	-	32,476	-
3320	Special reserve		255,790	1	255,790	1	118,457	-
3350	Retained earnings (loss to be recovered)		664,857	2	(1,048,420)	(4)	155,280	1
Other equity								
3400	Other equity	6(24)	(102,468)	-	(322,586)	(1)	(613,816)	(3)
31XX	Total equity attributable to the owners of parent company		<u>18,479,903</u>	<u>73</u>	<u>16,540,781</u>	<u>71</u>	<u>18,111,876</u>	<u>75</u>
36XX	Non-controlling interests	4(3)	<u>339,611</u>	<u>1</u>	<u>325,661</u>	<u>1</u>	<u>333,234</u>	<u>1</u>
3XXX	Total equity		<u>18,819,514</u>	<u>74</u>	<u>16,866,442</u>	<u>72</u>	<u>18,445,110</u>	<u>76</u>
Significant Contingent Liabilities and Unrecognized Contractual Commitments								
Material Events After the Balance Sheet Date								
3X2X	Total liabilities and equity	6(19) and 9 6(23) and 11	<u>\$ 25,494,430</u>	<u>100</u>	<u>\$ 23,415,329</u>	<u>100</u>	<u>\$ 24,195,959</u>	<u>100</u>

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

Chairman: Wong Ming-Sen

Manager: Sekyama Takayuki

Accounting Manager: Lee Yung-Chih

CMC Magnetics Corporation and Its Subsidiaries
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2023 and 2022

Unit: NT\$ thousands
except for earnings per share (loss)

Items	Notes	2023		2022		
		Amount	%	Amount	%	
4000	Operating revenue	6(25) and 7	\$ 7,384,447	100	\$ 7,692,376	100
5000	Operating costs	6(7)(30)	(5,724,229)	(77)	(6,227,115)	(81)
5900	Gross operating profit		1,660,218	23	1,465,261	19
	Operating expenses	6(30) and 7				
6100	Selling and marketing expenses		(937,204)	(13)	(937,921)	(12)
6200	Administrative expenses		(740,944)	(10)	(746,243)	(10)
6300	Research and development expenses		(288,422)	(4)	(335,369)	(4)
6450	Expected credit impairment (losses) gains	12(2)	(39,398)	-	24,427	-
6000	Total operating expenses		(2,005,968)	(27)	(1,995,106)	(26)
6900	Operating losses		(345,750)	(4)	(529,845)	(7)
	Non-operating income and expenses					
7100	Interest revenue	6(4)(11) (26)	32,194	-	10,881	-
7010	Other income	6(27)	1,083,783	15	503,576	7
7020	Other gains and losses	6(2)(13) (17)(28)	1,095,596	15	(805,030)	(10)
7050	Finance costs	6(29)	(97,194)	(1)	(63,474)	(1)
7060	Share of profit (loss) on associates and joint ventures accounted for using equity method	6(8)	35,341	-	(52,580)	(1)
7000	Total non-operating income and expenses		2,149,720	29	(406,627)	(5)
7900	Net income (loss) before tax		1,803,970	25	(936,472)	(12)
7950	Income tax expense	6(31)	(44,733)	(1)	(146,424)	(2)
8200	Net profit (loss)		\$ 1,759,237	24	\$ 1,082,896)	(14)

(Continued on the next page)

CMC Magnetics Corporation and Its Subsidiaries
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2023 and 2022

Unit: NT\$ thousands
except for earnings per share (loss)
(Adjusted)

	Items	Notes	2023		2022	
			Amount	%	Amount	%
	Other comprehensive income, net					
	Items that will not be reclassified to profit or loss					
8311	Remeasurement of defined benefit plans	6(20)	(\$ 1,093)	-	\$ 26,338	-
8316	Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	6(3)(24) and 12(3)	156,304	2	(24,438)	-
8349	Income tax related to items that will not be reclassified	6(31)	584	-	(4,835)	-
8310	Sum of items that will not be reclassified to profit or loss		<u>155,795</u>	<u>2</u>	<u>(2,935)</u>	<u>-</u>
	Items that may be reclassified subsequently to profit or loss					
8361	Exchange differences on translating the financial statements of foreign operations	6(24)	29,569	-	317,141	4
8370	Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	6(8)(24)	428	-	1,239	-
8360	Sum of items that may be reclassified subsequently to profit or loss		<u>29,997</u>	<u>-</u>	<u>318,380</u>	<u>4</u>
8300	Other comprehensive income, net		<u>\$ 185,792</u>	<u>2</u>	<u>\$ 315,445</u>	<u>4</u>
8500	Total comprehensive income for current period		<u>\$ 1,945,029</u>	<u>26</u>	<u>(\$ 767,451)</u>	<u>(10)</u>
	Net income (loss) attributable to:					
8610	Owners of parent company		\$ 1,750,238	24	(\$ 1,077,677)	(14)
8620	Non-controlling interests		8,999	-	(5,219)	-
	Total		<u>\$ 1,759,237</u>	<u>24</u>	<u>(\$ 1,082,896)</u>	<u>(14)</u>
	Total comprehensive income/(loss) attributable to:					
8710	Owners of parent company		\$ 1,933,395	26	(\$ 759,878)	(10)
8720	Non-controlling interests		11,634	-	(7,573)	-
	Total		<u>\$ 1,945,029</u>	<u>26</u>	<u>(\$ 767,451)</u>	<u>(10)</u>
	Earnings (loss) per share	6(32)				
9750	Basic and diluted earnings (loss) per share		<u>\$ 1.61</u>		<u>(\$ 0.95)</u>	

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

Chairman: Wong Ming-Sen

Manager: Sekyama Takayuki

Accounting Manager: Lee Yung-Chih

CMC Magnetics Corporation and Its Subsidiaries
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2023 and 2022

Unit: NT\$ thousands

	Equity attributable to the owners of parent company											
	Notes	Retained earnings					Other equity				Non-controlling interests	Total equity
		Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings (losses to be covered)	Exchange differences on translating the financial statements of foreign operations	Unrealized gains or losses on financial assets at fair value through other comprehensive income	Total			
<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	\$ 333,234	\$ 18,442,422	
Impact of retrospective application and retrospective restatement		-	-	-	-	2,688	-	-	2,688	-	2,688	
Balance after restatement on January 1		<u>11,588,812</u>	<u>6,830,667</u>	<u>32,476</u>	<u>118,457</u>	<u>155,280</u>	<u>(432,137)</u>	<u>(181,679)</u>	<u>18,111,876</u>	<u>333,234</u>	<u>18,445,110</u>	
Net loss		-	-	-	-	(1,077,677)	-	-	(1,077,677)	(5,219)	(1,082,896)	
Other comprehensive income for current period	6(3)(24)	-	-	-	-	19,823	318,884	(20,908)	317,799	(2,354)	315,445	
Total comprehensive income for current period		-	-	-	-	(1,057,854)	318,884	(20,908)	(759,878)	(7,573)	(767,451)	
Appropriation of earnings for 110:	6(23)											
Legal reserve		-	-	15,259	-	(15,259)	-	-	-	-	-	
Special reserve		-	-	-	137,333	(137,333)	-	-	-	-	-	
Cash reduction	6(21)	(695,329)	-	-	-	-	-	-	(695,329)	-	(695,329)	
Cash dividends appropriated from capital surplus	6(22)(23)	-	(115,888)	-	-	-	-	-	(115,888)	-	(115,888)	
Disposal of equity instruments measured at fair value through other comprehensive income	6(3)(24)	-	-	-	-	6,746	-	(6,746)	-	-	-	
Balance as of December 31, 2022		<u>\$ 10,893,483</u>	<u>\$ 6,714,779</u>	<u>\$ 47,735</u>	<u>\$ 255,790</u>	<u>(\$ 1,048,420)</u>	<u>(\$ 113,253)</u>	<u>(\$ 209,333)</u>	<u>\$ 16,540,781</u>	<u>\$ 325,661</u>	<u>\$ 16,866,442</u>	
<u>For the Year Ended December 31, 2023</u>												
Balance as of January 1, 2023		\$ 10,893,483	\$ 6,714,779	\$ 47,735	\$ 255,790	(\$ 1,048,420)	(\$ 113,253)	(\$ 209,333)	\$ 16,540,781	\$ 325,661	\$ 16,866,442	
Net profit		-	-	-	-	1,750,238	-	-	1,750,238	8,999	1,759,237	
Other comprehensive income for current period	6(3)(24)	-	-	-	-	(1,278)	30,388	154,047	183,157	2,635	185,792	
Total comprehensive income for current period		-	-	-	-	1,748,960	30,388	154,047	1,933,395	11,634	1,945,029	
Difference between the equity price of subsidiary actually acquired or disposed of and the book value	6(22)	-	5,723	-	-	-	-	-	5,723	2,324	8,047	
Disposal of equity instruments measured at fair value through other comprehensive income	6(3)(24)	-	-	-	-	(35,683)	-	35,683	-	-	-	
Changes in ownership interests in subsidiaries	6(22)	-	4	-	-	-	-	-	4	(4)	-	
Disposal of subsidiaries		-	-	-	-	-	-	-	-	(4)	(4)	
Balance as of December 31, 2023		<u>\$ 10,893,483</u>	<u>\$ 6,720,506</u>	<u>\$ 47,735</u>	<u>\$ 255,790</u>	<u>\$ 664,857</u>	<u>(\$ 82,865)</u>	<u>(\$ 19,603)</u>	<u>\$ 18,479,903</u>	<u>\$ 339,611</u>	<u>\$ 18,819,514</u>	

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

Chairman: Wong Ming-Sen

Manager: Sekyama Takayuki

Accounting Manager: Lee Yung-Chih

CMC Magnetics Corporation and Its Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

Unit: NT\$ thousands

	Notes	For the Year Ended December 31, 2023	For the Year Ended December 31, 2022
<u>Cash flows from operating activities</u>			
Net income (loss) before tax for the period		\$ 1,803,970	(\$ 936,472)
Adjustments			
Adjustments for			
Depreciation expenses (including property, plant and equipment, right-of-use assets, and investment properties)	6(9)(10) (12)(28) (30)	463,151	580,607
Amortization expenses	6(30)	59,365	84,902
Expected credit loss (reversal of gains)	12(2)	39,398	(24,427)
Net losses (gains) on financial assets and liabilities at fair value through profit and loss	6(2)(17) (28)	(1,213,931)	700,093
Interest expenses	6(29)	97,194	63,043
Interest revenue	6(26)	(32,194)	(10,881)
Dividend income	6(27)	(1,006,234)	(319,727)
Share of loss (profit) of associates accounted for using equity method	6(8)	(35,341)	52,580
Gains on disposal of property, plant and equipment	6(28)	(3,584)	(3,195)
Gain on sublease of right-of-use assets	6(11)	-	(2,794)
Non-financial asset impairment losses	6(13) (28)	105,920	88,286
Gains on lease modification	6(10)(28)	(62)	(8)
Changes in assets/liabilities related to operating activities			
Net changes in operating assets			
Financial assets mandatorily at fair value through profit or loss		(1,543,906)	(530,103)
Notes receivable (including related and non-related parties)		6,022	(5,255)
Account receivable (including related and non-related parties)		(26,609)	363,209
Other receivables		100,627	833
Inventories		642,631	(24,781)
Other current assets		22,845	(16,397)
Net changes in operating liabilities			
Financial liabilities at fair value through profit or loss		(19,315)	(52,542)
Contract liabilities		(16,577)	(67,001)
Notes and account payable		187,405	(336,056)
Other payables		31,751	(244,399)
Other current liabilities		(929)	(17,307)
Net defined benefit liabilities		(381)	(93)
Cash outflow from operating activities		(338,784)	(657,885)
Interest received		31,944	10,837
Dividends received		1,106,445	319,672
Interest paid		(96,533)	(63,629)
Income tax paid		(11,712)	(51,343)
Net cash inflow (outflow) from operating activities		691,360	(442,348)

(Continued on the next page)

CMC Magnetics Corporation and Its Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

Unit: NT\$ thousands

	Notes	For the Year Ended December 31, 2023	For the Year Ended December 31, 2022
<u>Cash flows from investing activities</u>			
Price of acquisition of financial assets mandatorily at fair value through profit or loss	12(3)	(\$ 183,622)	(\$ 2,518)
Price of disposal of financial assets mandatorily measured at fair value through profit or loss	12(3)	4,700	47,651
Price of acquisition of financial assets at fair value through other comprehensive income	12(3)	(22,128)	(139,530)
Proceeds from disposal of financial assets at fair value through other comprehensive income	12(3)	135,342	325
Refund from capital liquidation related to financial assets at fair value through other comprehensive income	12(3)	434	-
Refund from capital reduction related to financial assets at fair value through other comprehensive income	12(3)	5,784	16,072
Acquisition of financial assets at amortized cost		(190,104)	(10,360)
Disposal of financial assets at amortized cost		77,950	97,141
Acquisition of investments accounted for using equity method	6(8) and 7	-	(60,000)
Price of acquisition of property, plant and equipment	6(33)	(42,527)	(64,140)
Proceeds from disposal of property, plant and equipment		26,222	4,420
Price of acquisition of intangible assets		(29,959)	(25,572)
Increase in other non-current assets		(10,036)	(7,945)
Increase in prepayments for equipment (listed in other non-current assets)	6(33)	(79,081)	(85,523)
Net cash outflow from investing activities		(307,025)	(229,979)
<u>Cash flows from financing activities</u>			
Increase (decrease) in short-term borrowings	6(34)	(250,000)	153,042
Increase in short-term notes and bills payable	6(34)	50,000	-
Long-term borrowings taking place for current period	6(34)	3,600,000	3,600,000
Repayment of long-term borrowings for current period	6(34)	(3,565,000)	(2,340,000)
Decrease in other non-current liabilities		(12,284)	(11,528)
Repayment of principal of lease liabilities	6(10)(34)	(72,139)	(70,662)
Cash distribution from additional paid-in capital	6(22)	-	(115,888)
Cash reduction	6(21)	-	(695,329)
Changes in non-controlling interests		8,047	-
Net cash inflow (outflow) from financing activities		(241,376)	519,635
Effects of exchange rate changes on the balance of cash held in foreign currencies		36,671	302,702
Increase in cash and cash equivalents for current period		179,630	150,010
Cash and cash equivalents, beginning of period		2,763,663	2,613,653
Cash and cash equivalents, end of period		<u>\$ 2,943,293</u>	<u>\$ 2,763,663</u>

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

Chairman: Wong Ming-Sen

Manager: Sekyama Takayuki

Accounting Manager: Lee Yung-Chih

CMC Magnetics Corporation and Its Subsidiaries
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2023 and 2022

Unit: NT\$ thousands
(Unless Specified Otherwise)

1. Company History

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

2. Date and Procedure for Approval of Financial Statements

The consolidated financial statements were approved by the board of directors on March 14, 2024 for release.

3. Application of New and Amended Standards and Interpretations

a. Effect of the adoption of new issuance of or amendments to International Financial Reporting 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 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
Amendments to IAS 12 “International Tax Reform – Pillar Two Model Rules”	May 23, 2023

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

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 Group 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 December 31, 2023, December 31, and January 1 2022, the amount of deferred income tax assets that may be increased were NT\$37,234, NT\$51,307, and NT\$41,900 respectively; and deferred income tax liabilities were NT\$35,664, NT\$48,540, and NT\$39,212 respectively, and adjustment to 2023 and 2022 income tax expenses was NT\$1,197 and (NT\$79), which have no material impact on the loss per share.

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

The following table summarizes the new, revised, and amended standards and interpretations of IFRSs endorsed by the FSC in 2024:

New, Revised, and Amended Standards and Interpretations	Effective Date Announced by IASB
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024
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
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024

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

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

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

New, Revised, and Amended Standards and Interpretations	Effective Date Announced by IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by the IASB
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”	January 1, 2023
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025

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

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of this consolidated financial statements are set out below. Unless otherwise stated, these policies apply consistently throughout all reporting periods presented.

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee (hereinafter referred to as IFRSs) as endorsed and issued into effect by the FSC.

b. Basis of preparation

- 1) Except for the following significant items, the consolidated financial statements have been prepared on the historical cost basis:
 - a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - b) Financial assets at fair value through other comprehensive income.
 - c) Defined benefit assets and liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- 2) The preparation of financial statements has been in conformity with IFRSs, requiring the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

c. Basis of consolidation

1) Principle of preparation of the consolidated financial statements

- a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement in the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control over the subsidiaries.
- b) Inter-company transactions, balances, and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries are adjusted, when necessary, to remain consistent with those of the Company.
- c) The profit or loss and each component of other comprehensive income is attributed to the owners of the parent company and to the non-controlling interest. Total comprehensive income is also attributed to the owners of the parent company and non-controlling interest even if this results in the non-controlling interests having a deficit balance.
- d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, namely transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- e) When the Group loses control over a subsidiary, the Group re-measures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. For all amounts previously recognized in other comprehensive income related to the subsidiary, the accounting treatment is the same as if the Group directly disposes of relevant assets or liabilities, that is, if the benefit or loss previously recognized as other comprehensive income will be reclassified as profit or loss when the relevant assets or liabilities are disposed of, when control over the subsidiary is lost, the gains or loss will be reclassified as profit or loss from equity.

2) Subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Nature of business	Ownership percentage (%)		Description
			December 31, 2023	December 31, 2022	
CMC	CHC International Investment Corporation (CHC)	General investment business	100.00	100.00	
CMC	CIA Holding Corp.(CIA)	General investment business	86.35	86.35	
CHC	CIA	General investment business	13.65	13.65	
CMC	EMC Investment Holding Ltd.(EMC H)	General investment business	100.00	100.00	
CMC	CMC Movie Corporation (CMC Movie)	Motion picture distribution	-	100.00	Note 1
CMC	CMC Entertainment Holding Corporation (CMC Entertainment)	Film production and distribution industry	100.00	100.00	
CMC	CMC Entertainment Hub Corporation (CMC Entertainment Hub)	Shopping mall business	100.00	100.00	
CMC	Sun Well Solar Corporation (Sun Well Solar)	Production and sales of thin-film solar cells	-	98.82	Note 2
CHC	Sun Well Solar	Production and sales of thin-film solar cells	-	0.44	"
CMC	Transtouch Technology Inc. (Transtouch)	Production and sales of touch panels	51.99	52.60	
CMC	Deltamac (Taiwan) Co., Ltd. (Deltamac (Taiwan))	Production, distribution, rental, and sales of film and television products	38.91	38.91	
CHC	Deltamac (Taiwan)	Production, distribution, rental, and sales of film and television products	18.62	18.62	
CHC	Taiwan Net Co. Ltd. (Taiwan Net)	Electronic information supply service and general advertising service business	100.00	100.00	
CHC	Taiwan Dakang Internet Co., Ltd. (Taiwan Dakang)	Internet-related service business	100.00	100.00	
CMC Entertainment Hub	Com In Dim Corporation (Com In Dim)	Food and beverage	-	100.00	Note 3
CIA	SuperNet Holding Ltd. (SuperNet)	General investment business	100.00	100.00	
CIA	Kinease Investment Ltd.(Kinease)	Real estate development business	100.00	100.00	
EMC H	Media Factory LLC (MFLLC)	General investment business	100.00	100.00	
EMC H	F5 Holdings,Ltd.(F5)	General investment business	100.00	100.00	
EMC H	Jiangsu Yongxing Electronic	Production and sales	100.00	100.00	

Investor	Subsidiary	Nature of business	Ownership percentage (%)		Description
			December 31, 2023	December 31, 2022	
	Materials Co., Ltd. (Yongxing Electronic)	of plastic boxes, boxes, baskets, and similar products			
EMC H	Jet-Thai Hi-Tech Co., Ltd.(Jet-Thai)	Production and sales of optical discs	100.00	100.00	
EMC H	Verbatim Japan Ltd.(VJP)	Trading of storage media and electronic products	100.00	100.00	
EMC H	Verbatim Australia Pty. Ltd.(VAU)	Trading of storage media and electronic products	100.00	100.00	
EMC H	Verbatim GmbH(VGmbH)	Trading of storage media and electronic products	100.00	100.00	
EMC H	Verbatim (Hong Kong) Limited(VHK)	Trading of storage media and electronic products	100.00	100.00	
F5	Verbatim Americas LLC(VUS)	Trading of storage media and electronic products	100.00	100.00	
VUS	Vexus LLC. (Vexus)	Trading of storage media products	100.00	100.00	
MFLLC	Jiangsu Yongxing Multimedia Co., Ltd. (Yongxing Multimedia)	Production and sales of optical discs	90.00	90.00	
Fortune (Jiangsu) Electronic	Fortune (Jiangsu) Multimedia	Production and sales of optical discs	7.00	7.00	
MFLLC	Nantong Zhongxing Multimedia Co., Ltd. (Zhongxing Multimedia)	Production and sales of optical discs	49.00	49.00	

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

Note 1: Has been merged into CMC Entertainment in October 2023.

Note 2: The liquidation was completed in December 2023.

Note 3: Has been merged into CMC Entertainment Hub in September 2023.

- 3) Subsidiary not included in the consolidated financial statements: N/A.
- 4) Different adjustments and treatment methods of subsidiaries in the accounting period: N/A.
- 5) Major restriction: N/A.
- 6) Subsidiaries with significant non-controlling interests in the Group:

The total amount of non-controlling interests of the Group as of December 31, 2023 and 2022 was NT\$339,611 and NT\$325,661, respectively. The following is information on non-controlling interests and subsidiaries that are material to the Group:

Subsidiary	Principal Place of Business	Non-controlling interests		Non-controlling interests	
		December 31, 2023		December 31, 2022	
		Amount	Ownership Percentage	Amount	Ownership Percentage
Transtouch	ROC	\$ 202,387	48.01%	\$ 202,183	47.40%
Deltamac	"	127,299	42.47%	135,663	42.47%

Aggregate financial information of subsidiaries:

Balance Sheet

	Transtouch	
	December 31, 2023	December 31, 2022
Current assets	\$ 318,773	\$ 340,559
Non-current assets	185,549	192,173
Current liabilities	(95,257)	(100,326)
Non-current liabilities	(31,746)	(50,050)
Total net assets	\$ 377,319	\$ 382,356

	Deltamac	
	December 31, 2023	December 31, 2022
Current assets	\$ 322,368	\$ 346,177
Non-current assets	62,513	66,604
Current liabilities	(45,525)	(51,968)
Non-current liabilities	(2,730)	(7,623)
Total net assets	\$ 336,626	\$ 353,190

Statement of Comprehensive Income

	Transtouch	
	2023	2022
Revenue	\$ 368,630	\$ 357,308
Net loss before tax	(\$ 9,919)	(\$ 27,753)
Income tax benefit	86	176
Net loss	(9,833)	(27,577)
Comprehensive income (after tax)	4,796	(6,084)
Total comprehensive income for current period	(\$ 5,037)	(\$ 33,661)
Total comprehensive income attributable to non-controlling interests	(\$ 2,119)	(\$ 16,146)

	Deltamac	
	2023	2022
Revenue	\$ 191,357	\$ 225,068
Net loss before tax	(\$ 18,379)	(\$ 7,347)
Income tax expense	-	-
Net loss	(18,379)	(7,347)
Other comprehensive income (after tax)	1,815	2,431
Total comprehensive income for current period	(\$ 16,564)	(\$ 4,916)
Total comprehensive income attributable to non- controlling interests	(\$ 8,364)	(\$ 2,122)

Statements of Cash Flows

	Transtouch	
	2023	2022
Net cash in(out)flow from operating activities	\$ 53,376	(\$ 21,330)
Net cash in(out)flow from investing activities	(35,295)	9,368
Net cash outflow from financing activities	(18,640)	(18,136)
Decrease in cash and cash equivalents for current period	(559)	(30,098)
Cash and cash equivalents, beginning of period	84,392	114,490
Cash and cash equivalents, end of period	\$ 83,833	\$ 84,392

	Deltamac	
	2023	2022
Net cash inflow from operating activities	\$ 8,764	\$ 20,586
Net cash in(out)flow from investing activities	(18,759)	14,842
Net cash outflow from financing activities	(6,701)	(7,321)
Increase (decrease) in cash and cash equivalents for current	(16,696)	28,107

period	Deltamac	
	2023	2022
Cash and cash equivalents, beginning of period	153,226	125,119
Cash and cash equivalents, end of period	\$ 136,530	\$ 153,226

d. Foreign currency translation

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

1) Foreign currency transactions and balances

- a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- b) Balances of monetary assets and liabilities denominated in foreign currencies are adjusted at the spot exchange rates prevailing at the balance sheet date. Exchange gains or losses arising from such adjustments are recognized in profit or loss
- c) Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value through profit or loss, are translated at the exchange rates prevailing at the balance sheet date, where their translation differences are recognized in profit or loss as part of the fair value gain or loss. Non-monetary assets and liabilities denominated in foreign currencies measured at fair value through other comprehensive income are translated at the exchange rates prevailing at the balance sheet date, where their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the initial transaction dates.
- d) All other foreign exchange gains or losses based on the nature of the transactions are presented in the statement of comprehensive income in the category of "other gains and losses."

2) Translation of foreign operations

- a) The operating results and financial positions of all the Group's entities, associates, and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of the period; and
 - iii. All resulting exchange differences are recognized in other comprehensive income.
 - b) When the foreign entity partially disposed of or sold is an associate or a joint arrangement, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. However, when the Group retains partial interest in the associate or joint arrangement, after losing significant influence over the former foreign associate or losing joint control over the joint arrangement, such a transaction shall be accounted for as disposal of all interests in the foreign operation.
 - c) When the foreign operation that is partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interests of the foreign operation. However, if the Group still retains partial interests in the former foreign subsidiary after losing control of the former foreign subsidiary, such a transaction shall be accounted for as disposal of all interests in the foreign operation.
- e. Classification of Current and Non-current Assets and Liabilities
- 1) Assets that meet one of the following criteria are classified as current assets:
 - a) Assets that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.
 - b) Assets held primarily for the purpose of trading.
 - c) Assets that are expected to be realized within 12 months from the balance sheet date.
 - d) Cash or cash equivalents, excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date.

The Group classifies assets not meeting the aforesaid criteria into non-current assets.
 - 2) Liabilities that meet one of the following criteria are classified as current liabilities:
 - a) Liabilities that are expected to be settled within the normal operating cycle.
 - b) Assets held primarily for the purpose of trading.

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

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

f. Cash equivalents

Cash equivalents refer to investments that are short-term, highly liquid, subject to a low risk of changes in value, and readily convertible to a known amount of cash. Time deposits 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.

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

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

h. Financial assets at FVTOCI

- 1) Refers to the irrevocable election made at initial recognition that allows the Company to present fair value changes of equity investment not held for trading in other comprehensive income; or debt investment that meets all the criteria simultaneously:
 - a) The objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets.
 - b) The contract terms of the financial asset generate cash flow on a specific date, which is entirely the interest on the payment of the principal and the amount of principal outstanding.
- 2) The Group's financial assets measured at FVTOCI in accordance with trading conventions are accounted for on the trade date.
- 3) At initial recognition, the Group measures the financial assets at fair value plus transaction

costs, and subsequently measures the financial assets at fair value:

- a) Any changes in the fair value of equity instruments are recognized in other comprehensive income, while subsequently accrued benefits or losses previously recognized in other comprehensive income are not then reclassified to profit or loss, but are transferred to retained earnings. The Group recognizes the dividend income in profit or loss when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be measured reliably.
- b) The changes in fair value of debt instruments are recognized in other comprehensive income. Before derecognition, impairment loss, interest revenue, and gain or loss on foreign exchange are recognized in profit or loss. Upon derecognition, the accumulated gains or losses previously recognized in other comprehensive income are reclassified from equity to profit or loss.

i. Financial assets at amortized cost

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

j. Account receivable and notes receivable

- 1) Account 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 account and notes receivables, where the effect of

discounting is not material, and the Group measures the receivable by the original invoice amount.

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

k. Impairment of financial assets

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

l. Derecognition of financial assets

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

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

m. 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.

n. Inventories

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

o. Investments accounted for using equity method- associates

- 1) Associates are all entities over which the Group has significant influence without control. In general, it is an entity, in which at least 20% of its voting shares are directly or indirectly held by the Group. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- 2) The Group's share of profit or loss on its associates after acquisition is recognized in profit or loss, and its share of other comprehensive income after acquisition is recognized in other comprehensive income. When the Group's share of losses on an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- 3) When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the change in ownership interests in the associate in "capital surplus" in proportion to its ownership.
- 4) Unrealized gains or losses on transactions between the Group and its associates are eliminated in proportion to the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associates have been adjusted as necessary, and are consistent with the policies adopted by the Group.
- 5) Where an associate issues new shares and the Group does not subscribe for or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but still maintains significant influence on the associate, the "capital surplus" and

"investments accounted for using the equity method" shall be adjusted for the increase or decrease in the net value of the equity. Where its investment proportion decreases, in addition to the adjustments above, the profit or loss previously recognized in other comprehensive income due to decrease in its ownership interest and the profit or loss to be reclassified to profit or loss during the disposal of assets or liabilities shall be reclassified to profit or loss based on the proportion of decrease

- 6) Upon loss of significant influence over an associate, the Group shall remeasure the remaining investment retained in the former associate at its fair value. Any difference between the fair value and the carrying amount is recognized in profit or loss for the period.
- 7) When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of by the Group directly. That is, if the gains or losses previously recognized as other comprehensive income will be reclassified as profit or loss when the relevant assets or liabilities are disposed of, when the loss has a significant impact on the associate, the gains or losses are reclassified from equity to profit or loss. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- 8) When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, said amounts are transferred to profit or loss in proportion to the percentage of disposal.

p. Property, plant and equipment

- 1) Property, plant, and equipment are initially recognized in cost. Borrowing costs incurred during the construction period are capitalized.
- 2) Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the part replaced shall be derecognized. All other amount of repairs and maintenance are recognized as profit or loss during the financial period in which they are incurred.
- 3) Except for land which is not depreciated, other property, plant, and equipment are subsequently measured using the cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If the components of property, plant and equipment are significant, they shall be separately depreciated.

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

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

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

- 1) Leased assets are recognized as right-of-use assets and lease liabilities on the date when they are available for use by the Group. When the lease contract is a short-term lease or lease of a low-value asset, the lease payments are recognized as an expense on a straight-line basis over the lease term.
- 2) Lease liabilities are recognized at the present value of the unpaid lease payments at the beginning of the lease at the discounted interest rate of the Group's incremental borrowings. Lease payments are fixed payments after deducting any lease incentives that can be collected. The lease liability is measured at amortized cost using the effective interest method subsequently, and the interest expense is recognized during the lease period. When a non-contractual modification causes a change in the lease term or lease payment, the lease liability will be reassessed and remeasured to adjust the right-of-use asset.
- 3) The right-of-use asset is recognized at cost at the lease commencement date. The cost comprises:
 - a) The originally measured amount of lease liabilities; and
 - b) Lease payments made at or before the commencement of the lease;
 - c) Any original direct costs incurred; and
 - d) The estimated cost of dismantling, removing an underlying asset, and restoring its location, or restoring the underlying asset to the state required in the terms and conditions of the lease.

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

r. Investment property

An investment property is recognized initially at cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 9–50 years.

s. Intangible assets

1) The cost of purchasing video copyrights for the distribution of digital discs and Blu-ray discs and other products is recognized based on the acquisition cost. The cost is based on the estimated distribution rights and quantity of individual films, and the relevant copyright costs are classified to inventories and leased assets at the time of distribution. At the end of the period, whether the recoverable amount of films is lower than the unamortized film cost is evaluated. When the cost is higher than the recoverable amount, it will be recognized as valuation loss, and the recoverable amount will be recognized as the new cost.

2) 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 5 to 7 years.

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

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

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

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

u. Impairment of non-financial assets

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

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

v. Borrowings

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

w. Account and notes payables

- 1) Account 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 account payable are measured at initial invoice amount as the effect of discounting is immaterial.

x. Financial liabilities at fair value through profit or loss

- 1) Financial liabilities that are mainly for sale or repurchase in the short-term, and are held for trading except for derivatives other than those designated as hedging instruments based on hedge accounting.
- 2) The Group's initial recognition is on a fair value basis, with relevant transaction costs recognized in profit or loss, and subsequently at fair value, and gains or losses thereof are recognized in profit or loss.

y. Derecognition of financial liabilities

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

z. Non-hedging derivatives

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

aa. Provisions

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

bb. Employee benefits

1) Short-term employee benefits

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

2) Pension

a) Defined contribution plans

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

b) Defined benefit plans

i. The net obligation under a defined benefit plan is calculated by discounting the amount of future benefits earned by employees for the services rendered in the current or the prior periods, and the amount recognized is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is computed by independent actuaries every year using the projected unit credit method. The discount rate employed is by reference either to the market yields on high quality corporate bonds of which the

currency and duration are consistent with the currency and duration of the defined benefit plan, or to the market yields on government bonds (at the balance sheet date) in countries where there is no deep market for high quality corporate bonds.

- ii. The remeasurement amount generated by the defined benefit plan is recognized in other comprehensive income in the current period and presented in retained earnings.
- iii. Expenses related to past service costs are immediately recognized in profit or loss.

3) Termination benefits

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

4) Remuneration of employees and directors

Remuneration of employees and directors are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligations and those amounts can be reliably estimated. 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.

cc. Income tax

- 1) The tax expense for the period comprises current and deferred income taxes. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- 2) The Group calculates the current income tax based on the tax rate enacted in laws or substantively enacted in laws at the balance sheet date in the country where the taxable income is generated and the operations occur. The management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. For the income tax levied on the unappropriated retained

earnings in accordance with the Income Tax Act, it will be recognized as income tax for unappropriated retained earnings based on the actual distribution of earnings after the earnings distribution proposal is adopted at the shareholders' meeting in the year following the year in which said earnings are generated.

- 3) Deferred income tax is recognized, using the balance sheet liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred income tax liabilities from goodwill arising from initial recognition are not recognized. If the deferred income tax is derived from initial recognition of an asset or liability in a transaction (excluding business combinations), and if the accounting profit or taxable income (taxable loss) is not affected at the time of the transaction, nor gives rise to an equivalent taxable and deductible temporary difference, then the liabilities will not be recognized. With temporary differences caused by the investment in subsidiaries, if the Group can control the timing of the reversal of the temporary differences, and it is probable that temporary differences will not be reversed in the foreseeable future, the liabilities will not be recognized. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the relevant deferred income tax asset is realized or the deferred income tax liability is settled.
- 4) Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
- 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.

dd. 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.

ee. 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 the issue of new shares.

ff. Revenue recognition

Sales

- 1) The Group mainly manufactures and sells consumer electronic products, such as optical discs. Sales revenue is recognized when the control of the product is transferred to a customer, that is, when goods are delivered to the customer, the customer has the discretion to sell the goods and set the price, and the Group has no outstanding performance obligations that may affect the customers' acceptance of the goods. When goods are shipped to a designated location, the risk of obsolescence and loss has been transferred to the customer, and the customer is required to accept the goods in accordance with the sales contract, or when there is objective evidence that all acceptance criteria have been met, the goods are delivered.
- 2) The sales of the goods are recognized at the contract price, and the amount of sales revenue recognized is limited to the part where it is highly likely that there will not be a major reversal in the future. The payment terms for sales are usually 30 to 180 days after the date of shipment. Because the time interval between the transfer of the promised goods or services to the customer and the customer's payment did not exceed one year, the Group did not adjust the transaction price to reflect the time value of money.
- 3) Account receivable is recognized when goods are delivered to customers because at which time the Group's right to the consideration for contracts from customers is unconditional, except for the passage of time.
- 4) The sales policies of some of the Group's subsidiaries allow customers to return goods. Therefore, the Group recognizes products that are expected to be returned as the refund liabilities and the right to recover goods. The estimation of sales returns is based on historical experience and the expected value method to estimate such returns at the time of sale. The number of returned goods has been stable over the years, so it is highly probable that the accumulated revenue recognized, based on the assessment, will not undergo a major reversal. Subsequently, the validity of the assumptions is re-evaluated at each balance sheet date, and the estimated refund amount is updated.

gg. Government grants

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

hh. Operating segments

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

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

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

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

None.

b. Critical accounting estimates and assumptions

1) Assessment of impairment of property, plant and equipment

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

b) As of December 31, 2023, the carrying amount of property, plant and equipment of the Group was NT\$3,917,081.

2) Inventory valuation

- a) As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories at balance sheet date based on judgments and estimates. With the rapid advancement of technology, the Group evaluates the amounts of normal inventory consumption, obsolescence, or inventories without market selling value at the balance sheet date, and writes down the cost of inventories to the net realizable value. 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, 2023, the carrying amount of the Group's inventory valuation was NT\$2,734,354.

6. Description of Significant Accounting Titles

a. Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and petty cash	\$ 1,211	\$ 1,298
Checks and demand deposits	2,672,693	2,541,358
Time deposit	269,389	220,422
Bank acceptance bill	-	585
	<u>\$ 2,943,293</u>	<u>\$ 2,763,663</u>

- 1) The Group deals with financial institutions with high credit ratings. The Group also deals with various financial institutions at the same time to diversify credit risks. Therefore, the expected risk of default is rather low.
- 2) The Group has classified cash and cash equivalents for borrowings and customs deposits into financial assets measured at amortized cost - current and non-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, 2023</u>	<u>December 31, 2022</u>
Current items:		
Financial assets mandatorily at fair value through profit or loss		
Listed stocks	\$ 6,261,666	\$ 5,336,243
Beneficiary certificates	250,755	210,209
Commercial bonds	60,002	60,042

<u>Items</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Derivative instruments	4,923	-
	6,577,346	5,606,494
Adjustment to valuation	273,486	(517,944)
	<u>\$ 6,850,832</u>	<u>\$ 5,088,550</u>
Non-current items:		
Financial assets mandatorily at fair value through profit or loss		
Listed stocks	\$ 3,581,813	\$ 3,173,631
Unlisted stocks	152,000	-
Principal-protected film investment agreements	21,420	18,200
Film investment contracts	-	4,700
Privately offered funds	37,603	9,047
	3,792,836	3,205,578
Adjustment to valuation	674,434	(76,523)
	<u>\$ 4,467,270</u>	<u>\$ 3,129,055</u>

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

	<u>2023</u>	<u>2022</u>
Financial assets mandatorily at fair value through profit or loss		
Equity instruments	\$ 2,202,929	(\$ 349,403)
Debt instruments	(1,043)	(13,073)
Beneficiary certificates	9,687	3,382
Derivative instruments	17,592	20,984
	<u>\$ 2,229,165</u>	<u>(\$ 338,110)</u>

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

December 31, 2023		
Derivative financial assets	Contract amount (notional principal)	Contract period
Current items:		
Foreign exchange agreements	US\$1,600 thousand	2023.10.27~2024.01.24
"	US\$1,700 thousand	2023.10.27~2024.01.24

December 31, 2022: None

Foreign exchange agreements

The foreign exchange transaction contracted by the Group 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.

- 3) For the situation in which the Group has pledged financial assets at FVTPL as collateral, please refer to Note 8 for details.
- 4) Please refer to Note 12(2) for details on the credit risk of relevant commercial bonds.

c. Financial assets at FVTOCI

Items	December 31, 2023	December 31, 2022
Non-current items:		
Equity instruments		
Listed stocks	\$ 92,920	\$ 79,955
Unlisted stocks	417,756	487,648
	510,676	567,603
Adjustment to valuation	36,868	(56,396)
	<u>\$ 547,544</u>	<u>\$ 511,207</u>

- 1) The Group has elected to classify equity instrument investments that are strategic investments as financial assets at FVTOCI. The fair values of these investments as of December 31, 2023 and 2022 were NT\$547,544 and NT\$511,207, respectively.
- 2) The breakdown of financial assets at FVTOCI recognized in comprehensive income is as follows:

	<u>2023</u>	<u>2022</u>
<u>Equity instruments at FVTOCI</u>		
Changes in fair value recognized in other comprehensive income	\$ 156,304	(\$ 24,438)
Accumulated gains (losses) reclassified to retained earnings due to derecognition	(\$ 35,683)	\$ 6,746
Dividend income recognized in profit or loss	\$ 11,619	\$ 8,334

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

d. Financial assets at amortized cost

<u>Items</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current items:		
Time deposit	\$ 266,644	\$ 170,300
Restricted time deposit	7,886	5,600
	<u>\$ 274,530</u>	<u>\$ 175,900</u>
Non-current items:		
Foreign financial bonds	\$ 14,807	\$ 8,839
Restricted demand deposit	9,726	2,004
Restricted time deposit	4,206	4,900
	<u>\$ 28,739</u>	<u>\$ 15,743</u>

- 1) Bonds and bank time deposits as well as restricted demand and time deposits with the original maturity date of more than 3 months.
- 2) The breakdown of financial assets measured at amortized cost recognized in profit or loss is as follows:

	<u>2023</u>	<u>2022</u>
Interest revenue	\$ 3,677	\$ 2,280

- 3) As of December 31, 2022 and 2023, regardless of the collateral held and other credit enhancements, the maximum amount of the exposure to the credit risk arising from the Group's financial assets at amortized cost (including current and non-current) is the carrying amount.
 - 4) For the situation in which the Group has pledged financial assets at amortized cost as collateral, please refer to Note 8 for details.
 - 5) For information on the credit risk of financial assets measured at the cost after amortization, please refer to Note 12(2).
- e. Notes and account receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable	\$ 6,580	\$ 12,608
Less: Allowance for loss	(25)	(31)
	<u>\$ 6,555</u>	<u>\$ 12,577</u>
Accounts receivable	\$ 1,423,839	\$ 1,419,482
Less: Allowance for loss	(75,441)	(51,014)
	<u>\$ 1,348,398</u>	<u>\$ 1,368,468</u>

- 1) The aging analysis of accounts and notes receivable is as follows:

	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due	\$ 1,143,255	\$ 6,580	\$ 1,055,402	\$ 12,608
Overdue for less than 30 days	97,825	-	117,952	-
Overdue for 31–60 days	71,223	-	65,359	-
Overdue for 61–90 days	21,400	-	24,643	-
Overdue for 91–180 days	38,686	-	102,208	-
Overdue for 181 or more	51,450	-	53,918	-
	<u>\$ 1,423,839</u>	<u>\$ 6,580</u>	<u>\$ 1,419,482</u>	<u>\$ 12,608</u>

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

- 2) The balance of notes receivable and accounts receivable as of December 31, 2023 and 2022 were all generated by customer contracts, and the balance of notes receivable and accounts receivable and allowance losses as of January 1, 2022, were NT\$1,822,989 and NT\$137,254, respectively.

- 3) As of December 31, 2023 and 2022, regardless of the collateral held and other credit enhancements, the maximum amount of the exposure to the credit risk arising from the Group's notes and account receivable (including related parties) is the carrying amount.
- 4) The Group did not pledge notes and account receivable as collateral.
- 5) Please refer to Note 12(2) for details of the information on the credit risk of account and notes receivable.

f. Financial asset transfer

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

Unit: NT\$ thousands

December 31, 2023					
Factor	Amount of account receivable in factoring	Amount derecognized	Amount of advance received	Amount of remaining advance available	Interest rate range of advance
Taipei Fubon Bank	USD 336	USD 336	USD -	USD 302	-

Unit: NT\$ thousands

December 31, 2022					
Factor	Amount of account 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 765	-

As of December 31, 2023 and 2022, the Group's retained amount in the account receivable transferred through factoring was NT\$10,330 and NT\$26,122, respectively, which have been reclassified to other receivables.

g. Inventories

	December 31, 2023	December 31, 2022
Raw materials	\$ 416,960	\$ 417,475
Work-in-progress	5,773	12,178
Finished goods	1,756,967	2,312,785
Merchandise inventory	497,822	513,714
Inventory in transit	56,832	99,188
	\$ 2,734,354	\$ 3,355,340

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

	2023		2022
Cost of inventories sold	\$ 5,601,471	\$	6,124,316
Unamortized fixed production overheads	51,522		28,560
Loss on valuation	67,477		64,053
Warranty cost	4,461		8,200
Others	(702)		1,986
	<u>\$ 5,724,229</u>	<u>\$</u>	<u>6,227,115</u>

h. Investments accounted for using the equity method

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

	2023		2022
January 1	\$ 185,166	\$	173,761
Additional investment accounted for using the equity method	-		60,000
Share of profit (loss) on investments accounted for using the equity method	35,341	(	52,580)
Credit balance of investments accounted for using the equity method reclassified to less in receivables/other noncurrent liabilities	641		2,746
Changes in other equity (see Note 6(24))	428		1,239
December 31	<u>\$ 221,576</u>	<u>\$</u>	<u>185,166</u>

<u>Name of associates</u>	<u>December 31, 2023</u>		<u>December 31, 2022</u>
Vie Show Cinemas Co., Ltd. (Vie Show Cinemas)	\$ 220,392	\$	184,304
Sun Biotech Limited (Sun Biotech)	(7,930)	(	7,289)
Others	1,184		862

<u>Name of associates</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Add: Credit balance of investments accounted for using the equity method reclassified to less in receivables/other non-current liabilities	7,930	7,289
	<u>\$ 221,576</u>	<u>\$ 185,166</u>

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

	<u>2023</u>	<u>2022</u>
Net profit (loss)	\$ 119,766	(\$ 172,765)
Other comprehensive income (after tax)	827	3,620
Total comprehensive income for current period	<u>\$ 120,593</u>	<u>(\$ 169,145)</u>

- 3) The Investments accounted for using the equity method as of December 31, 2023 and 2022 were evaluated based on each investee's financial statements audited by CPAs.

i. Property, plant and equipment

	2023				
	Land	Buildings and structures	Machinery and equipment	Others	Total
January 1					
Cost	\$ 2,150,432	\$ 2,811,469	\$ 15,493,034	\$ 837,672	\$ 21,292,607
Accumulated depreciation and impairment	-	(1,388,095)	(14,926,448)	(645,393)	(16,959,936)
	<u>\$ 2,150,432</u>	<u>\$ 1,423,374</u>	<u>\$ 566,586</u>	<u>\$ 192,279</u>	<u>\$ 4,332,671</u>
January 1	\$ 2,150,432	\$ 1,423,374	\$ 566,586	\$ 192,279	\$ 4,332,671
Additions	-	-	1,289	41,238	42,527
Disposal	(4,031)	(1,577)	(8,165)	(8,865)	(22,638)
Reclassification (Note)	(5,160)	(7,471)	52,994	4,637	45,000
Depreciation expenses	-	(63,719)	(273,150)	(38,795)	(375,664)
Impairment loss	-	-	-	(102,199)	(102,199)
Net exchange difference	10	(3,072)	(208)	654	(2,616)
December 31	<u>\$ 2,141,251</u>	<u>\$ 1,347,535</u>	<u>\$ 339,346</u>	<u>\$ 88,949</u>	<u>\$ 3,917,081</u>
December 31					
Cost	\$ 2,141,251	\$ 2,766,928	\$ 14,727,814	\$ 826,963	\$ 20,462,956
Accumulated depreciation and impairment	-	(1,419,393)	(14,388,468)	(738,014)	(16,545,875)
	<u>\$ 2,141,251</u>	<u>\$ 1,347,535</u>	<u>\$ 339,346</u>	<u>\$ 88,949</u>	<u>\$ 3,917,081</u>

2022

	Machinery and equipment							Total
	Land	Buildings and structures	For self-use	For leasing	Subtotal	Others		
January 1								
Cost	\$ 2,150,356	\$ 2,946,559	\$ 16,425,617	\$ 1,728	\$ 16,427,345	\$ 780,683	\$ 22,304,943	
Accumulated depreciation and impairment	-	(1,395,206)	(15,496,187)	(1,590)	(15,497,777)	(612,254)	(17,505,237)	
	<u>\$ 2,150,356</u>	<u>\$ 1,551,353</u>	<u>\$ 929,430</u>	<u>\$ 138</u>	<u>\$ 929,568</u>	<u>\$ 168,429</u>	<u>\$ 4,799,706</u>	
January 1	\$ 2,150,356	\$ 1,551,353	\$ 929,430	\$ 138	\$ 929,568	\$ 168,429	\$ 4,799,706	
Additions	-	-	389	-	389	63,751	64,140	
Disposal	-	-	(1,014)	-	(1,014)	(11)	(1,025)	
Reclassification (Note)	-	(73,838)	73,701	(138)	73,563	5,112	4,837	
Depreciation expenses	-	(67,083)	(368,853)	-	(368,853)	(54,332)	(490,268)	
Impairment loss	-	-	(73,016)	-	(73,016)	-	(73,016)	
Net exchange difference	76	12,942	5,949	-	5,949	9,330	28,297	
December 31	<u>\$ 2,150,432</u>	<u>\$ 1,423,374</u>	<u>\$ 566,586</u>	<u>\$ -</u>	<u>\$ 566,586</u>	<u>\$ 192,279</u>	<u>\$ 4,332,671</u>	
December 31								
Cost	\$ 2,150,432	\$ 2,811,469	\$ 15,493,034	\$ -	\$ 15,493,034	\$ 837,672	\$ 21,292,607	
Accumulated depreciation and impairment	-	(1,388,095)	(14,926,448)	-	(14,926,448)	(645,393)	(16,959,936)	
	<u>\$ 2,150,432</u>	<u>\$ 1,423,374</u>	<u>\$ 566,586</u>	<u>\$ -</u>	<u>\$ 566,586</u>	<u>\$ 192,279</u>	<u>\$ 4,332,671</u>	

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

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

	<u>2023</u>	<u>2022</u>
Capitalized amount	<u>\$ 184</u>	<u>\$ 165</u>
Range of capitalized interest rate	2.08%	1.25%

- 2) For the impairment of property, plant and equipment, please refer to Note 6(13) for details.
- 3) For information about the Group's pledging of property, plant and equipment as collateral, please refer to Note 8 for details.

j. Lease transaction - the lessee

- 1) The assets leased by the Group include land, buildings, and transportation equipment. The lease contract term is usually from 1 to 9 years. The lease contract is negotiated individually and contains a variety of different terms and conditions.
- 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, 2023</u>	<u>December 31, 2022</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 15,029	\$ 16,824
Property	185,936	237,516
Transportation equipment (company cars)	<u>6,743</u>	<u>4,212</u>
	<u>\$ 207,708</u>	<u>\$ 258,552</u>

	<u>2023</u>			<u>2022</u>		
	<u>Depreciation expenses</u>			<u>Depreciation expenses</u>		
	<u>For self-use</u>	<u>For leasing</u>	<u>Total</u>	<u>For self-use</u>	<u>For leasing</u>	<u>Total</u>
Land	\$ 20,330	\$ -	\$ 20,330	\$ 20,332	\$ -	\$ 20,332
Property	41,726	-	41,726	41,470	4,867	46,337
Transportation equipment (company cars)	<u>3,833</u>	<u>-</u>	<u>3,833</u>	<u>3,425</u>	<u>-</u>	<u>3,425</u>
	<u>\$ 65,889</u>	<u>\$ -</u>	<u>\$ 65,889</u>	<u>\$ 65,227</u>	<u>\$ 4,867</u>	<u>\$ 70,094</u>

- 4) The additions to the Group's right-of-use assets in 2023 and 2022 were NT\$13,363 and NT\$169,936, respectively

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

	2023	2022
<u>Items that affect profit or loss</u>		
Interest expenses on lease liabilities	\$ 6,072	\$ 4,501
Short-term lease expenses	\$ 13,869	\$ 14,062
Expense on leases with low-value assets	\$ 1,284	\$ 1,295
Expense on variable lease payments	\$ 3,272	\$ 3,052
Revenue from sublease of right-of-use assets	\$ 664	\$ 7,648
Gains on lease modification	\$ 62	\$ 8

- 6) The Group's total cash outflows of leases in 2023 and 2022 were NT\$96,636 and NT\$98,548, respectively.

- 7) The impact of variable lease payments on lease liabilities

- a) In the Group's lease contract, the subject matter to which the variable lease payment terms are applied is connected with the sales amount generated by stores. For the objects leased by stores, about 33% is based on variable payment terms and mainly related to the sales amount. Changes in variable lease payments related to the sales amount are recognized as expenses during the period in which these payment terms are satisfied.
- b) When the sales of all stores in the Group increase by 10%, the lease contract with variable lease payment terms will increase the total lease payments by approximately 1%.

k. Lease transaction - lessor

- 1) The underlying assets leased out by the Group include buildings. The lease term contracted is usually for a period of 8 to 9 years. The lease contracts are negotiated individually and contain various terms and conditions.
- 2) In 2023 and 2022, the Group leased out 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. The profit and loss items related to lease contracts are shown as follows:

	2023	2022
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)	642	172

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Less than 1 year	\$ 6,348	\$ 6,348
More than 1 year but not more than 5 years	26,582	26,162
Over 5 years	<u>14,664</u>	<u>21,432</u>
	<u>\$ 47,594</u>	<u>\$ 53,942</u>

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

	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Undiscounted lease benefits	\$ 6,348	\$ 41,246	\$ 6,348	\$ 47,594
Unearned finance lease income	(565)	(1,649)	(642)	(2,214)
Net investment in a lease	<u>\$ 5,783</u>	<u>\$ 39,597</u>	<u>\$ 5,706</u>	<u>\$ 45,380</u>

- 5) The Group recognized rental revenue of NT\$58,984 and NT\$45,435 based on operating lease contracts in 2023 and 2022 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 Group under operating lease is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Less than 1 year	\$ 41,224	\$ 42,710
More than 1 year but not more than 5 years	135,308	151,611
Over 5 years	<u>36,973</u>	<u>56,736</u>
	<u>\$ 213,505</u>	<u>\$ 251,057</u>

1. Investment property

	2023		
	Land	Buildings and structures	Total
January 1			
Cost	\$ 71,897	\$ 1,189,955	\$ 1,261,852
Accumulated depreciation	-	(645,009)	(645,009)
	<u>\$ 71,897</u>	<u>\$ 544,946</u>	<u>\$ 616,843</u>
January 1	\$ 71,897	\$ 544,946	\$ 616,843
Reclassification (Note)	5,160	16,668	21,828
Depreciation expenses	-	(21,598)	(21,598)
Net exchange difference	-	(3,126)	(3,126)
December 31	<u>\$ 77,057</u>	<u>\$ 536,890</u>	<u>\$ 613,947</u>
December 31			
Cost	\$ 77,057	\$ 1,215,323	\$ 1,292,380
Accumulated depreciation	-	(678,433)	(678,433)
	<u>\$ 77,057</u>	<u>\$ 536,890</u>	<u>\$ 613,947</u>
	2022		
	Land	Buildings and structures	Total
January 1			
Cost	\$ 71,897	\$ 1,032,098	\$ 1,103,995
Accumulated depreciation	-	(554,410)	(554,410)
	<u>\$ 71,897</u>	<u>\$ 477,688</u>	<u>\$ 549,585</u>
January 1	\$ 71,897	\$ 477,688	\$ 549,585
Reclassification (Note)	-	86,487	86,487
Depreciation expenses	-	(20,245)	(20,245)
Net exchange difference	-	1,016	1,016
December 31	<u>\$ 71,897</u>	<u>\$ 544,946</u>	<u>\$ 616,843</u>
December 31			
Cost	\$ 71,897	\$ 1,189,955	\$ 1,261,852
Accumulated depreciation	-	(645,009)	(645,009)
	<u>\$ 71,897</u>	<u>\$ 544,946</u>	<u>\$ 616,843</u>

Note: It is mainly transferred from the property, plant and equipment in prepayments for

equipment and reclassification from property, plant and equipment.

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

	2023	2022
Rental revenue of investment property	\$ 45,497	\$ 38,378
Direct operating expenses incurred by investment property generating rental revenue in the current period	\$ 19,485	\$ 15,723
Direct operating expenses incurred by investment property not generating rent revenue in current period	\$ 9,420	\$ 9,888

- 2) The fair value of the investment property held by the Group as of December 31, 2023 and 2022 were NT\$3,716,345 and NT\$3,778,241, respectively, based on the evaluation results of transaction prices in the neighborhood to which could be referred.
- 3) For information on the Group's pledging of investment property as collateral, please refer to Note 8 for details.

m. Impairment of non-financial assets

- 1) The impairment losses recognized by the Group for 2023 and 2022 were NT\$105,920 and NT\$88,286, respectively. The details are as follows:

	2023		2022	
	Recognized in the current profit or loss	Recognized in other comprehensive income	Recognized in the current profit or loss	Recognized in other comprehensive income
Mitigation loss - other (listed in property, plant and equipment)	\$ 102,199	\$ -	\$ -	\$ -
Impairment loss - machinery and equipment (listed in property, plant and equipment)	-	-	73,016	-
Impairment loss - supply inventories (listed in other current assets)	-	-	15,525	-
Impairment loss (gain on reversal) - intangible assets	3,721	-	(255)	-
	<u>\$ 105,920</u>	<u>\$ -</u>	<u>\$ 88,286</u>	<u>\$ -</u>

- 2) The above impairment losses (reversal gains) disclosed by segment are as follows:

	2023		2022	
	Recognized in the current profit or loss	Recognized in other comprehensive income	Recognized in the current profit or loss	Recognized in other comprehensive income
Storage media segment	\$ 102,199	\$ -	\$ 88,541	\$ -
Other segments	<u>3,721</u>	<u>-</u>	<u>(255)</u>	<u>-</u>
	<u>\$ 105,920</u>	<u>\$ -</u>	<u>\$ 88,286</u>	<u>\$ -</u>

- 3) The Group adopted the value in use and the net disposal value of existing assets as the recoverable amount in the impairment test on December 31, 2023 and 2022. The discount rate used to estimate the value in use is as follows:

	December 31, 2023	December 31, 2022
Storage media segment	7.60%	6.57%
Other optoelectronics segment	9.13%	9.49%
Other segments	4.98%	5.15%

- 4) Accumulated write-off of impairments

	2023	2022
Machinery and equipment	<u>\$ 83,718</u>	<u>\$ 1,663</u>

When the Group disposed of machinery and equipment in 2023 and 2022, the relevant accumulated impairments were also written off in order to calculate the gains or losses on the disposal.

n. Other non-current assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Prepayments for equipment	\$ 23,954	\$ 6,711
Refundable deposits	20,544	23,307
Net finance lease receivable	39,597	45,380
Overdue receivables	130,433	162,982
Less: Allowance for loss	(130,433)	(162,982)
Other non-current assets - others	<u>618,226</u>	<u>629,880</u>
	<u>\$ 702,321</u>	<u>\$ 705,278</u>

o. Short-term borrowings

<u>Nature of borrowings</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Borrowings from financial Institutions		
Secured borrowings	\$ -	\$ 150,000
Credit borrowings	<u>450,000</u>	<u>550,000</u>
	<u>\$ 450,000</u>	<u>\$ 700,000</u>
Interest rate range	2.10%~2.27%	2.00%~2.09%

- 1) Commercial paper of NT\$2,069,935 and NT\$2,270,075 has been issued as a guarantee for the short-term borrowing facilities as of December 31, 2023 and 2022, respectively.
- 2) Please refer to Note 8 for details of short-term borrowings and the guarantees.

p. Short-term notes and bills payable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Commercial paper payable	<u>\$ 99,687</u>	<u>\$ 50,000</u>
Interest rate	2.20%	2.20%

- 1) The above short-term notes payable are guaranteed and accepted by financial institutions such as banks and bills companies.
- 2) The commercial promissory note with a value of \$150,000 has been issued on December 31, 2023 as collateral.

q. Financial liabilities at fair value through profit or loss

<u>Items</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current items:		
Financial liabilities held for trading		
Non-hedging derivative		
financial instruments		
— Derivative instruments	\$ 648	\$ 1,952

- 1) The Group's financial liabilities held for trading are all derivatives, and its net losses were NT\$20,619 and NT\$50,590 in 2023 and 2022, 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, 2023</u>	
	<u>Nominal principal</u>	<u>Contract period</u>
Current items:		
Forward exchange	CNY 7,220 thousand	
agreements		2023.11.08~2024.02.23
"	CNY 7,057 thousand	2023.12.29~2024.03.28

<u>Derivative financial liabilities</u>	<u>December 31, 2022</u>	
	<u>Nominal principal</u>	<u>Contract period</u>
Current items:		
Forward exchange		
agreements	JPY100,000 thousand	2022.12.01~2023.03.31
"	CNY 6,997 thousand	2022.12.01~2023.03.31
"	CNY 7,189 thousand	2022.11.04~2023.05.08
"	CNY 7,094 thousand	2022.11.11~2023.05.15
"	CNY 7,018 thousand	2022.12.01~2023.05.31
"	US\$1,000 thousand	2022.10.21~2023.01.18
"	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 agreements	US\$1,600 thousand	2022.11.23~2023.02.24
"	US\$1,700 thousand	2022.11.29~2023.03.01
"	US\$1,000 thousand	2022.12.23~2023.03.01
"	US\$1,500 thousand	2022.12.12~2023.03.13

- a) Forward exchange agreements

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

b) Foreign exchange agreements

The foreign exchange transaction contracted by the Group 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.

r. Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Personnel expenses payable	\$ 158,660	\$ 151,471
Royalty fees payable	50,052	46,096
Payables for equipment	40,781	35,724
Service expense payable	14,670	16,411
Stock payment payable	152,978	6,607
Other expenses payable	<u>214,516</u>	<u>175,073</u>
	<u>\$ 631,657</u>	<u>\$ 431,382</u>

s. Long-term borrowings

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Borrowings from financial Institutions		
Secured borrowings	\$ 2,515,000	\$ 3,305,000
Credit borrowings	1,150,000	325,000
Long-term notes	<u>280,000</u>	<u>280,000</u>
	3,945,000	3,910,000
Less: Long - term loans due within one year or one operating cycle	<u>(925,000)</u>	<u>(1,525,000)</u>
	<u>\$ 3,020,000</u>	<u>\$ 2,385,000</u>
Interest rate range	1.995%~2.27%	1.87%~2.5%

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

Financial ratios should be maintained within the following limits during the contract period, with annual reviews of the consolidated financial statements: 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, 2023 and 2022 were both \$300,000.

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. In addition, on July 11, 2023, the Company obtained a notification document from the bank agreeing to the waiver.

- 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. Subsequently, The Company signed a new financing commitment contract with Taipei Fubon Bank in March 2023. In 36 months from the date of the first drawdown, the total amount of borrowing is NT\$1.5 billion. The Company's main commitments are as follows:

Financial ratios should be maintained within the following limits during the contract period, with annual reviews of the consolidated financial statements: 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, 2023 and December 31, 2022 were NT\$800,000 and NT\$920,000, respectively.

- 3) The remaining borrowings shall be repaid by installments by 2026.
- 4) Please refer to Note 8 for details of the guarantees for long-term borrowings.

t. Pension

- 1) a) The Company and domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Act, applicable to all formal employees who were employed prior to the enforcement of the Labor Pension Act on July 1, 2005, and to the formal employees who still chose the pension mechanism under the Labor Standards Act after the Labor Pension Act took effect. Under the defined benefit pension plan, two units are 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 Group sets aside 2% of the employee's total salary each month as pension funds and deposits 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, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligations	\$ 193,463	\$ 211,013
Fair value of plan assets	<u>(154,315)</u>	<u>(162,828)</u>
Net defined benefit liabilities	<u>\$ 39,148</u>	<u>\$ 48,185</u>
Net defined benefit liabilities (listed in other non-current liabilities)	<u>\$ 41,952</u>	<u>\$ 50,899</u>
Net defined benefit assets (listed in other non-current assets)	<u>\$ 2,804</u>	<u>\$ 2,714</u>

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

	<u>2023</u>		
	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liabilities</u>
January 1	\$ 211,013	(\$ 162,828)	\$ 48,185
Service cost for the current period	354	-	354
Interest (expense) revenue	<u>2,552</u>	<u>(1,973)</u>	<u>579</u>
	<u>213,919</u>	<u>(164,801)</u>	<u>49,118</u>
Re-measurements:			
Return on plan assets (not including interest revenue or expenses)	-	(1,347)	(1,347)
The effect of changes in financial assumptions	49	(22)	27
Experience adjustments	<u>2,413</u>	<u>-</u>	<u>2,413</u>
	<u>2,462</u>	<u>(1,369)</u>	<u>1,093</u>
Pension contributed	-	(11,063)	(11,063)
Pension paid	<u>(22,918)</u>	<u>22,918</u>	<u>-</u>
December 31	<u>\$ 193,463</u>	<u>(\$ 154,315)</u>	<u>\$ 39,148</u>

	2022		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
January 1	\$ 235,050	(\$ 148,489)	\$ 86,561
Service cost for the current period	424	-	424
Interest (expense) revenue	1,635	(1,028)	607
	<u>237,109</u>	<u>(149,517)</u>	<u>87,592</u>
Re-measurements:			
Return on plan assets (not including interest revenue or expenses)	-	(10,675)	(10,675)
The effect of changes in financial assumptions	(8,000)	(405)	(8,405)
Experience adjustments	<u>(7,258)</u>	<u>-</u>	<u>(7,258)</u>
	<u>(15,258)</u>	<u>(11,080)</u>	<u>(26,338)</u>
Pension contributed	-	(13,069)	(13,069)
Pension paid	<u>(10,838)</u>	<u>10,838</u>	<u>-</u>
December 31	<u>\$ 211,013</u>	<u>(\$ 162,828)</u>	<u>\$ 48,185</u>

- d) The Bank of Taiwan was commissioned to manage the assets of the Company's and domestic subsidiaries' defined benefit plan fund in accordance with the scope of the percentages and amounts in the annual investment and utilization plan of the fund and the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund (Article 6: The scope of utilization for the fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or privately placed equity securities, investment in domestic or foreign real estate securitization products, etc.). The status of the utilization is supervised by the Labor Pension Funds Supervisory Committee. With regard to the 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, 2023 and 2022, please refer to the various labor pension utilization reports issued by the government.

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

	<u>2023</u>	<u>2022</u>
Discount rate	<u>1.2-1.3%</u>	<u>1.2-1.3%</u>
Rate of future salary increase	<u>1.5-2.5%</u>	<u>1.5-2.5%</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 0.25 to 1.00%</u>	<u>Decrease 0.25 to 1.00%</u>	<u>Increase 0.25 to 1.00%</u>	<u>Decrease 0.25 to 1.00%</u>
December 31, 2023				
The effects on the present value of defined benefit obligations	<u>(\$ 3,130)</u>	<u>\$ 3,217</u>	<u>\$ 2,710</u>	<u>(\$ 2,653)</u>
December 31, 2022				
The effects on the present value of defined benefit obligations	<u>(\$ 3,691)</u>	<u>\$ 3,799</u>	<u>\$ 3,234</u>	<u>(\$ 3,163)</u>

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

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

- f) The Group expects to make a contribution of NT\$8,790 to the pension plan for the year ended December 31, 2024.
- g) As of December 31, 2023, the weighted average duration of the pension plan is 9 years. The maturity analysis of the pension payments is as follows:

Less than 1 year	\$ 14,825
2-5 years	86,498
Over 6 years	<u>56,422</u>
	<u>\$ 157,745</u>

- 2) a) Since July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan under the Labor Pension Act, applicable to all formal employees with R.O.C nationality. For employees who choose the labor pension system stipulated under the Labor Pension Act, the Company and its domestic subsidiaries make monthly contributions to employees' individual pension accounts of the Bureau of Labor Insurance at 6% of their monthly salaries and wages. Based on the employee's individual pension accounts and the amount of accumulated income from the annual investment and utilization plan, the payment of employee pension is made on a monthly basis or in a lump sum. In 2023 and 2022, the pension costs recognized according to the above-mentioned pension methods were NT\$22,786 and NT\$24,453, respectively.
- b) VUS has established employee retirement regulations to determine the contribution obligations. The recognized pension expenses recognized for 2023 and 2022 were NT\$3,181 and NT\$4,562, respectively.
- c) According to the Conditions of Employment—Severance Payment and Long Service Payment of the Government of the Hong Kong Special Administrative Region, employees who have been employed continuously for 24 months or more than 5 years can receive severance payment or long service payment based on a certain percentage of their most recent salary multiplied by their retrospective seniority. VHK's pension expenses recognized for 2023 and 2022 in accordance with local laws and regulations were NT\$2,855 and NT\$2,868, respectively.
- d) The pension expenses of VAU, VJP, and VGmbH recognized in accordance with local laws and regulations for 2023 and 2022 were NT\$9,291 and NT\$10,322, respectively.
- e) Yongxing Multimedia makes monthly contributions according to a certain percentage of the total salaries of the local employees in accordance with the pension system stipulated by the government of the People's Republic of China, and the contribution percentages are 20%. The pension for each employee is managed by the government; thus, the Group does not have further obligation except for making a monthly contribution. The recognized pension costs for 2023 and 2022 were NT\$1,277 and NT\$2,232, respectively.

u. Share capital

- 1) As of December 31, 2023, 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):

	2023	2022
January 1	1,089,348,328	1,158,881,200
Cash reduction	-	(69,532,872)
December 31	<u>1,089,348,328</u>	<u>1,089,348,328</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. The refund for capital reduction was completed on October 28, 2022.

v. Capital surplus

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

	Share premium	Treasury share transactions	2023 Difference between the equity price of subsidiary actually acquired or disposed of and the book value	Others	Total
January 1	\$ 1,698,443	\$ 5,014,346	\$ 68	\$ 1,922	\$ 6,714,779
Changes in ownership interests in subsidiaries	-	-	-	4	4
Difference between the equity price of subsidiary actually acquired or disposed of and the book value	-	-	5,723	-	5,723
December 31	<u>\$ 1,698,443</u>	<u>\$ 5,014,346</u>	<u>\$ 5,791</u>	<u>\$ 1,926</u>	<u>\$ 6,720,506</u>

	Share premium	Treasury share transactions	2022 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>

w. 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 a proposal to allocate the losses of 2022 to make up for the deficit, through a resolution at the shareholders' meeting on June 13, 2023.
 - b) The Company passed the proposal for 2021 earnings distribution as resolved by the shareholders' meeting on June 17, 2022 as follows

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

- c) 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.

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

- 5) The Company's board of directors passed the proposal for 2023 earnings distribution on March 14, 2024 as follows:

	2023	
	Amount	Earnings per share (NT\$)
Legal reserve appropriation	\$ 66,486	\$ -
Reversal of special reserve	(153,322)	-
Cash dividends	<u>740,757</u>	0.68
	<u>\$ 653,921</u>	

The aforementioned 2023 profit distribution proposal, as of March 14, 2024, has not yet been resolved by the shareholders' meeting.

- 6) Please visit the Market Observatory Post System (MOPS) of the Taiwan Stock Exchange for information on the distribution of earnings approved by the Board of Directors and resolved by the shareholders' meeting.
- x. Other equity items

	2023		
	Foreign currency translation	Unrealized valuation gains and losses	Total
January 1	(\$ 113,253)	(\$ 209,333)	(\$ 322,586)
Foreign currency translation difference:			
— Group	29,960	-	29,960
— Associates	428	-	428
Adjustment to valuation	-	154,047	154,047
Reclassified from valuation adjustment to retained earnings	<u>-</u>	<u>35,683</u>	<u>35,683</u>
December 31	<u>(\$ 82,865)</u>	<u>(\$ 19,603)</u>	<u>(\$ 102,468)</u>

	2022		
	Foreign currency translation	Unrealized valuation gains and losses	Total
January 1	(\$ 432,137)	(\$ 181,679)	(\$ 613,816)
Foreign currency translation difference:			
— Group	317,645	-	317,645
— Associates	1,239	-	1,239
Adjustment to valuation	-	(20,908)	(20,908)
Reclassified from valuation adjustment to retained earnings	<u>-</u>	<u>(6,746)</u>	<u>(6,746)</u>
December 31	<u>(\$ 113,253)</u>	<u>(\$ 209,333)</u>	<u>(\$ 322,586)</u>

y. Operating revenue

	2023	2022
Revenue from customer contracts	<u>\$ 7,384,447</u>	<u>\$ 7,692,376</u>

1) Breakdown of revenue from customer contracts

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

	2023			
	Storage media	Other optoelectronic products	Others	Total
Timing of revenue recognition				
Revenue recognized at a specific timing	\$ 6,721,785	\$ 368,630	\$ 293,355	\$ 7,383,770
Revenue recognized over time	-	-	677	677
	<u>\$ 6,721,785</u>	<u>\$ 368,630</u>	<u>\$ 294,032</u>	<u>\$ 7,384,447</u>

	2022			
	Storage media	Other optoelectronic products	Others	Total
Timing of revenue recognition				
Revenue recognized at a specific timing	\$ 7,009,132	\$ 357,308	\$ 322,083	\$ 7,688,523
Revenue recognized over time	-	-	3,853	3,853
	<u>\$ 7,009,132</u>	<u>\$ 357,308</u>	<u>\$ 325,936</u>	<u>\$ 7,692,376</u>

2) Contract liabilities

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

	December 31, 2023	December 31, 2022	January 1, 2022
Contract liabilities:			
Advance sales receipts	\$ 63,012	\$ 93,232	\$ 148,680
Others	15,151	1,508	13,061
	<u>\$ 78,163</u>	<u>\$ 94,740</u>	<u>\$ 161,741</u>

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

	2023	2022
Opening balance of contract liabilities recognized as income for the period		
Product sales contracts	<u>\$ 83,104</u>	<u>\$ 142,858</u>

z. Interest revenue

	2023	2022
Interests on bank deposits	\$ 27,875	\$ 8,429
Interest revenue from financial assets at amortized cost - interest revenue	3,677	2,280
Others (refer to Note 6(11))	642	172
	<u>\$ 32,194</u>	<u>\$ 10,881</u>

aa. Other income

	2023	2022
Rental income	\$ 58,984	\$ 45,435
Dividend income	1,006,234	319,727
Government grant income	82	44,697
Overdue liabilities transferred to income	4,279	71,616
Other income	14,204	22,101
	<u>\$ 1,083,783</u>	<u>\$ 503,576</u>

bb. Other gains and losses

	2023	2022
Net gains (losses) on financial assets at FVTPL	\$ 1,234,550	(\$ 649,503)
Net losses on financial liabilities at fair value through profit or loss	(20,619)	(50,590)
Net foreign currency exchange gains	13,164	44,592
Gains on disposal of property, plant and equipment	3,584	3,195
Non-financial asset impairment losses	(102,199)	(88,541)
Depreciation expenses not for self use	(21,598)	(25,112)
Gain on sublease of right-of-use assets	-	2,794
Gains on lease modification	62	8
Other expenditures	(11,348)	(41,873)
	<u>\$ 1,095,596</u>	<u>(\$ 805,030)</u>

cc. Finance costs

	2023	2022
Interest expenses		
Bank borrowings	\$ 88,303	\$ 58,707
Interest expenses on lease liabilities	6,072	4,501
Borrowing facility management expense	3,003	431
	<u>97,378</u>	<u>63,639</u>
Less: Amount qualified for capitalization	(184)	(165)
	<u>\$ 97,194</u>	<u>\$ 63,474</u>

dd. Employee benefit, depreciation, and amortization expenses

In 2023 and 2022, the employee benefit, depreciation, and amortization expenses incurred by the Group are summarized as follows by function:

Nature	Function	2023		
		Operating costs	Operating expenses	Total
Employee benefit expenses				
Salaries and wages		\$ 380,548	\$ 570,354	\$ 950,902
Labor and health insurance premiums		41,716	74,914	116,630
Pension expenses		14,700	25,623	40,323
Other employee benefit expenses		9,911	16,667	26,578
Depreciation expenses		277,231	164,322	441,553
Amortization expenses		22,119	37,246	59,365

Nature	Function	2022		
		Operating costs	Operating expenses	Total
Employee benefit expenses				
Salaries and wages		\$ 441,954	\$ 567,938	\$ 1,009,892
Labor and health insurance premiums		45,889	68,410	114,299
Pension expenses		17,528	27,940	45,468
Other employee benefit expenses		12,328	17,064	29,392
Depreciation expenses		361,807	193,688	555,495
Amortization expenses		47,039	37,863	84,902

- 1) According to the Company's Articles of Incorporation, if the Company makes a profit at the end of the year, at least 1% of the balance shall be allocated for employee compensation and no more than 1.5% for the remuneration of directors. However, when the Company still has accumulated losses, it shall reserve an amount to compensate the losses.
- 2) The Company's estimated amounts for employee and director remuneration for 2023 were \$7,000 and \$1,600, respectively. These amounts were accounted under the salary expense account.
In 2023, the estimated amounts for employee and director remuneration were estimated at 1.01% and 0.23%, respectively, based on the profitability of that year. The Board of Directors decided to distribute actual amounts of \$7,000 and \$1,600, respectively, which will be disbursed in cash.
- 3) The Company still has accumulated losses in 2022, hence it is not necessary to estimate the compensation of employees and the remuneration of directors.
- 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.

ee. Income tax

1) Income tax expense

a) Components of income tax expense:

	2023	(Adjusted) 2022
	<u>2023</u>	<u>(Adjusted) 2022</u>
Current income tax:		
Income tax incurred in current period	\$ 14,915	\$ 23,288
Income tax underestimates for prior years	(2,561)	46
Total current income tax	12,354	23,334
Deferred income tax:		
Initial recognition and reversal of temporary differences	32,379	123,090
Income tax expense	<u>\$ 44,733</u>	<u>\$ 146,424</u>

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

	2023	2022
	<u>2023</u>	<u>2022</u>
Remeasurement of defined benefit obligations	(\$ 584)	\$ 4,835

2) Reconciliation between income tax expense and accounting profit

	2023	(Adjusted) 2022
	<u>2023</u>	<u>(Adjusted) 2022</u>
Income tax calculated at the statutory tax rate on net income (loss) before tax	\$ 360,794	(\$ 187,294)
Items that shall be adjusted according to tax law	(6,638)	8,707
Items exempt from taxation according to the tax law	(134,303)	(25,289)
Unrealized gains or losses on financial assets that are not taxable	(307,959)	114,789
Temporary differences not recognized in deferred income tax assets	20,844	100
Taxable loss not recognized in deferred income tax assets	656,368	127,918
Change in realizability evaluation of deferred income tax liabilities	(552,309)	106,957
Income tax underestimates (overestimates) for prior years	5,323	72
Separation tax amount	495	-
Effect of income tax of the applicable tax rate in the Group	2,118	464
Income tax expense	<u>\$ 44,733</u>	<u>\$ 146,424</u>

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

	2023				
	(Adjusted) January 1	Recognized in profit or loss	Recognized in other comprehensive income	Exchange difference	December 31
Deferred in come tax assets:					
— Temporary differences					
Over-limit of allowance for loss	\$ 29,818	(\$ 982)	\$ -	\$ -	\$ 28,836
Unrealized sales gains	22,869	5,301	-	-	28,170
Unrealized exchange loss	12,083	2,676	-	40	14,799
Inventory valuation loss	28,796	5,449	-	-	34,245
Compensation for unused annual leave	4,761	(33)	-	-	4,728
Remeasurement of defined benefits	7,925	-	580	-	8,505
Unrealized losses on investment	4,443	(996)	-	-	3,447
Non-financial asset impairment losses	1,000	-	-	-	1,000
Others	69,653	(17,299)	-	1,583	53,937
— Tax losses	<u>138,363</u>	<u>(27,190)</u>	<u>-</u>	<u>245</u>	<u>111,418</u>
Subtotal	<u>\$ 319,711</u>	<u>(\$ 33,074)</u>	<u>\$ 580</u>	<u>\$ 1,868</u>	<u>\$ 289,085</u>
Deferred income tax liabilities:					
— Temporary differences					
Unrealized gains on investment	(\$ 6,316)	(\$ 10,308)	\$ -	\$ 153	(\$ 16,471)
Provision for land value increment tax	(21,379)	-	-	-	(21,379)
Others	<u>(51,441)</u>	<u>11,003</u>	<u>4</u>	<u>(852)</u>	<u>(41,286)</u>
Subtotal	<u>(\$ 79,136)</u>	<u>\$ 695</u>	<u>\$ 4</u>	<u>(\$ 699)</u>	<u>(\$ 79,136)</u>
Total	<u>\$ 240,575</u>	<u>(\$ 32,379)</u>	<u>\$ 584</u>	<u>\$ 1,169</u>	<u>\$ 209,949</u>

2022					
	(Adjusted) January 1	(Adjusted) Recognized in profit or loss	Recognized in other comprehensive income	Exchange difference	(Adjusted) December 31
Deferred in come tax assets:					
— Temporary differences					
Over-limit of allowance for loss	\$ 44,643	(\$ 14,825)	\$ -	\$ -	\$ 29,818
Unrealized sales gains	20,999	1,870	-	-	22,869
Unrealized exchange loss	10,341	1,571	-	171	12,083
Inventory valuation loss	53,661	(24,865)	-	-	28,796
Compensation for unused annual leave	4,966	(205)	-	-	4,761
Remeasurement of defined benefits	12,359	-	(4,434)	-	7,925
Unrealized losses on investment	4,443	-	-	-	4,443
Non-financial asset impairment losses	1,000	-	-	-	1,000
Others	61,028	7,863	-	762	69,653
— Tax losses	<u>288,351</u>	<u>(150,668)</u>	<u>-</u>	<u>680</u>	<u>138,363</u>
Subtotal	<u>\$ 501,791</u>	<u>(\$ 179,259)</u>	<u>(\$ 4,434)</u>	<u>\$ 1,613</u>	<u>\$319,711</u>
Deferred income tax liabilities:					
— Temporary differences					
Unrealized exchange gains	(\$ 80)	\$ 80	\$ -	\$ -	\$ -
Unrealized sales losses	(1,702)	1,702	-	-	-
Unrealized gains on investment	(4,962)	(1,354)	-	-	(6,316)
Book-tax differences in depreciation expenses of fixed assets	(67,423)	67,423	-	-	-
Provision for land value increment tax	(21,379)	-	-	-	(21,379)
Others	<u>(39,358)</u>	<u>(11,682)</u>	<u>(401)</u>	<u>-</u>	<u>(51,441)</u>
Subtotal	<u>(\$ 134,904)</u>	<u>\$ 56,169</u>	<u>(\$ 401)</u>	<u>\$ -</u>	<u>(\$ 79,136)</u>
Total	<u>\$ 366,887</u>	<u>(\$ 123,090)</u>	<u>(\$ 4,835)</u>	<u>\$ 1,613</u>	<u>\$240,575</u>

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

December 31, 2023				
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	83,328	83,328	2033
2014	"	1,035,019	1,026,236	2024–2034
2015	"	1,929,032	1,904,903	2025–2035
2016	"	2,502,868	2,438,456	2026–2036
2017	"	608,328	506,618	2027–2037
2018	"	1,048,519	930,180	2028
2019	"	233,165	104,056	2024–2029
2020	"	202,266	202,266	2025–2030

December 31, 2023				
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
2021	"	269,288	262,555	2026–2031
2022	Declared amount	786,154	748,894	2027–2032
2023	Estimated amount	1,973,671	1,968,086	2033
		<u>\$ 10,671,638</u>	<u>\$ 10,175,578</u>	

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	1,928,983	1,837,174	2023–2033
2014	"	1,419,528	1,294,371	2024–2034
2015	"	2,310,868	2,145,906	2025–2035
2016	"	2,846,754	2,824,513	2026–2036
2017	"	927,736	884,427	2027–2037
2018	"	1,759,876	1,710,260	2023–2028
2019	"	516,146	390,393	2024–2029
2020	"	586,889	586,889	2025–2030
2021	Declared amount	1,584,406	1,574,630	2026–2031
2022	Estimated amount	395,937	373,485	2027–2032
		<u>\$ 14,277,123</u>	<u>\$ 13,622,048</u>	

- 5) The tax losses incurred and amount of unrecognized deferred income tax assets of the Group's US subsidiaries since 2018 as of December 31, 2023 and 2022 were NT\$435,941 and NT\$298,009, respectively, and such losses may be deducted indefinitely from the taxable income for future years.
- 6) Deductible temporary differences that are not recognized in deferred income tax assets by the Group:

	December 31, 2023	December 31, 2022
Deductible temporary differences	<u>\$ 9,404,524</u>	<u>\$ 12,199,825</u>

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

	Status of approval
The Company, Taiwan Dakang, Transtouch, CMC Entertainment, Taiwan Net, CMC Entertainment Hub, Deltamac (Taiwan), CHC	Approved up to 2021

ff. Earnings (loss) per share

	2023		
	Amount after tax	Weighted average number of outstanding shares (thousand shares)	Earnings per share (NT\$)
<u>Basic earnings per share</u>			
Current net profit attributable to ordinary shareholders of the parent company	\$ 1,750,238	1,089,348	\$ 1.61
<u>Diluted earnings per share</u>			
Current net profit attributable to ordinary shareholders of the parent company	\$ 1,750,238	1,089,348	
Potential effect of dilutive ordinary shares			
Employee compensation	-	609	
Current net profit attributable to ordinary shareholders of the parent company plus potential effect of ordinary shares	\$ 1,750,238	1,089,957	\$ 1.61

	2022		
	(Adjusted) Amount after tax	Weighted average number of outstanding shares (thousand shares)	Loss per share (NT\$)
<u>Basic and diluted loss per share</u>			
Current net loss attributable to ordinary shareholders of the parent company	(\$ 1,077,677)	1,131,830	(\$ 0.95)

gg. Additional information on cash flows

Investing activities with only partial cash payments:

1) Property, plant and equipment

	2023		2022	
Acquisition of property, plant and equipment	\$	42,527	\$	64,140
Add: Payables for equipment, beginning of period		-		66,188

	2023	2022
Less: Transfer of equipment payable to income	-	(66,188)
Cash paid for current period	<u>\$ 42,527</u>	<u>\$ 64,140</u>

2) Prepayments for equipment

	2023	2022
Increase in prepayments for equipment	\$ 84,138	\$ 88,593
Add: Payables for equipment, beginning of period	35,724	32,654
Less: Payables for equipment, end of period	(40,781)	(35,724)
Cash paid for current period	<u>\$ 79,081</u>	<u>\$ 85,523</u>

3) Financing activities that do not affect cash flow:

	2023	2022
Return of capital reduction payable	\$ -	\$ 695,329
Dividends payable	-	115,888
	<u>\$ -</u>	<u>\$ 811,217</u>

hh. Changes in liabilities from financing activities

	2023				
	Short-term borrowings	Short-term notes and bills payable	Long-term borrowings (including due within one year or one operating cycle)	Lease liabilities	Total liabilities from financing activities
January 1	\$ 700,000	\$ 50,000	\$ 3,910,000	\$ 303,503	\$ 4,963,503
Changes in cash flow from financing activities	(250,000)	50,000	35,000	(72,139)	(237,139)
Effect of changes in exchange rates	-	-	-	3,726	3,726
Other non-cash changes	-	(313)	-	11,533	11,220
December 31	<u>\$ 450,000</u>	<u>\$ 99,687</u>	<u>\$ 3,945,000</u>	<u>\$ 246,623</u>	<u>\$ 4,741,310</u>

	2022				
	Short-term borrowings	Short-term notes and bills payable	Long-term borrowings (including due within one year or one operating cycle)	Lease liabilities	Total liabilities from financing activities
January 1	\$ 546,958	\$ 50,000	\$ 2,650,000	\$ 197,674	\$ 3,444,632
Changes in cash flow from financing activities	153,042	-	1,260,000	(70,662)	1,342,380
Effect of changes in exchange rates	-	-	-	9,480	9,480
Other non-cash changes	-	-	-	167,011	167,011
December 31	<u>\$ 700,000</u>	<u>\$ 50,000</u>	<u>\$ 3,910,000</u>	<u>\$ 303,503</u>	<u>\$ 4,963,503</u>

7. Related-Party Transactions

a. Name and relationship of related parties

<u>Names of related party</u>	<u>Relationship with the Group</u>
Vie Show Cinemas	Associates
Taiwan Chi Yuan Culture Foundation	Other related parties

b. Significant transactions with related parties

1) Operating revenue

	<u>2023</u>		<u>2022</u>	
Sales				
Associates	\$	754	\$	532
Other related parties		26		13
	<u>\$</u>	<u>780</u>	<u>\$</u>	<u>545</u>

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

2) Account receivable from related parties

	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
Accounts receivable				
Associates	\$	27	\$	-

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

3) Financial asset transaction

a) The Group made a cash injection to an associate enterprise - Vie Show Cinemas (listed under investments accounted for using the equity method) amounted to NT\$60,000 in 2022.

b) No such occurrence in 2023

4) Others

The total amount of donation by the Group to other related parties in 2023 and 2022 was NT\$8,000 and NT\$6,000, respectively.

c. Information on the remunerations of the key management:

	2023		2022	
Short-term employee benefits	\$	90,358	\$	94,559
Termination benefits		1,893		-
Post-employment benefits		3,019		2,868
Other long-term employee benefits		-		2,943
	\$	95,270	\$	100,370

8. Pledged Assets

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

<u>Asset items</u>	Carrying amount		Purpose of collateral
	December 31, 2023	December 31, 2022	
Restricted demand and time deposit (listed in financial assets at amortized cost - current and non- current)	\$ 21,818	\$ 12,504	Customs guarantee, margin for issue of letters of credit, and bank loan guarantee
Listed stocks (listed in financial assets at FVTPL- non-current)	3,704,405	2,492,295	Bank borrowings
Property, plant and equipment	2,527,620	2,550,848	"
Investment property	2,202	2,421	"
	\$ 6,256,045	\$ 5,058,068	

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, 2023</u>	<u>December 31, 2022</u>
Property, plant and equipment	\$ 16,065	\$ 5,207
Intangible assets	<u>3,144</u>	<u>1,100</u>
	<u>\$ 19,209</u>	<u>\$ 6,307</u>

2) The Group signed license agreements for relevant optical disc products with HP Inc., JVC Kenwood Corporation, 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) Unutilized amount for which a letter of credit has been opened.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
USD	\$ 780	\$ 3,483
NTD	94,191	-

10. Major Disaster Loss

None.

11. Material Events After the Balance Sheet Date

Please refer to Note 6(23)5 for the earnings distribution proposal for 2023 proposed by the Board of Directors on March 14, 2024.

12. Others

a. Capital management

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

b. Financial instruments

1) Type of financial instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</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>11,318,102</u>	\$ <u>8,217,605</u>
Financial assets at FVTOCI		
Investment in designated equity instruments selected	\$ <u>547,544</u>	\$ <u>511,207</u>

	December 31, 2023	December 31, 2022
Financial assets measured at amortized cost/loans and receivables		
Cash and cash equivalents	\$ 2,943,293	\$ 2,763,663
Financial assets at amortized cost		
Notes receivable	303,269	191,643
Accounts receivable	6,555	12,577
Finance lease receivables (listed in other current and non-current assets)	1,348,398	1,368,468
Other receivables	45,380	51,086
Refundable deposits (listed in other non-current assets)	134,987	326,681
	20,544	23,307
	<u>\$ 4,802,426</u>	<u>\$ 4,737,425</u>
	December 31, 2023	December 31, 2022
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trade	<u>\$ 648</u>	<u>\$ 1,952</u>
Financial liabilities measured at amortized cost		
Short-term borrowings	\$ 450,000	\$ 700,000
Short-term notes and bills payable	99,687	50,000
Notes payable	30,336	49,975
Account payables	860,811	653,767
Other payables	631,657	431,382
Long-term borrowing (including due within one year or one operating cycle)	3,945,000	3,910,000
Guarantee deposits received (listed in other current and non-current liabilities)	8,445	6,991
Long-term notes and account payable (listed in other non-current liabilities)	63,507	63,507
	<u>\$ 6,089,443</u>	<u>\$ 5,865,622</u>
Lease liabilities	<u>\$ 246,623</u>	<u>\$ 303,503</u>

- 2) Risk management policy
- a) The daily operations of the Group are affected by a number of financial risks, including market risks (including exchange rate risk, interest rate risk, and price risk), credit risk, and liquidity risk. In order to reduce the adverse impact of uncertainty on the Group's financial performance, the Group undertakes forward foreign exchange contracts to avoid exchange rate risks. The derivatives undertaken by the Group are for hedging purposes and are not intended for trading or speculation.
 - b) Risk management is carried out by the Group's finance department in accordance with the policies approved by the board of directors. The Group's finance department is responsible for identifying, evaluating, and avoiding financial risks through close collaboration with the Group's operating units. The board of directors has formulated principles for overall risk management, and also provided written policies for specific areas and matters, such as exchange rate risk, interest rate risk, credit risk, the use of derivative and nonderivative financial instruments, and the investment using remaining liquidity.
 - c) For information on derivatives trading to avoid financial risks, please refer to Note 6(2) and (17) in detail.
- 3) The nature and level of material financial risks
- a) Market risk
 - Exchange rate risk
 - A. The Group operates its business transnationally, so it is subject to exchange rate risks arising from transactions that are different from the functional currencies used by the Company and its subsidiaries, which are mainly in USD, HKD, and MXN. The exchange rate risk arises from future business transactions and assets and liabilities recognized.
 - B. The management of the Group has established policies to regulate the exchange rate risk of each company within the Group in relation to its functional currency. The companies shall hedge against the overall exchange rate risk through the Group's finance department. The exchange rate risk is measured by 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.
 - C. The Group uses forward foreign exchange contracts to hedge against exchange rate risk while hedging accounting is not applied, which are listed in financial assets at FVTPL. Please refer to Note 6(2) and 6(17) for details.
 - D. The Group's business involves a number of non-functional currencies (the functional currencies of the Company and some subsidiaries are NT\$, while the functional currencies of other subsidiaries are USD and CNY, etc.). Therefore, it is affected by exchange rate fluctuations. Information on foreign currency assets and liabilities influenced by significant exchange rate fluctuations is as follows:

December 31, 2023			
	Foreign currencies (thousand)	Exchange rate	Carrying Amount (NTD)
(Foreign currency: Functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 10,689	30.7050	\$ 328,206
USD: JPY	10,006	141.8300	307,234
HKD: USD	33,391	0.1280	131,233
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	\$ 4,064	30.7050	\$ 124,785
USD: EUR	6,460	0.9050	198,354

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	\$ 26,157	30.7250	\$ 803,674
USD: JPY	9,931	132.7000	305,130
HKD: USD	37,764	0.1282	148,749
USD: EUR	1,851	0.9376	56,872
MXN: USD	30,827	0.0513	48,727
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	\$ 7,224	30.7250	\$ 221,957

- E. The aggregate amount of all exchange losses (including realized and unrealized) on the Group's monetary items influenced by significant exchange rate fluctuations was NT\$13,164 and NT\$44,592 in 2023 and 2022, respectively.
- F. The Group's foreign currency market risk analysis due to significant influence of exchange rate fluctuations is as follows:

		2023		
		Sensitivity analysis		
		Exchange rate band	Effect on profit and loss	Effect on other comprehensive income
(Foreign currency: Functional currency)				
<u>Financial assets</u>				
Monetary items				
	USD: NTD	1%	\$ 3,282	\$ -
	USD: JPY	1%	3,072	-
	HKD: USD	1%	1,312	-
<u>Financial liabilities</u>				
Monetary items				
	USD: NTD	1%	\$ 1,248	\$ -
	USD: EUR	1%	\$ 1,984	\$ -
		2022		
		Sensitivity analysis		
		Exchange rate band	Effect on profit and loss	Effect on other comprehensive income
(Foreign currency: Functional currency)				
<u>Financial assets</u>				
Monetary items				
	USD: NTD	1%	\$ 8,037	\$ -
	USD: JPY	1%	3,051	-
	HKD: USD	1%	1,487	-
	USD: EUR	1%	569	-
	MXN: USD	1%	487	-
<u>Financial liabilities</u>				
Monetary items				
	USD: NTD	1%	\$ 2,220	\$ -

Price risk

- i. The Group's equity instruments exposed to price risk are financial assets held at FVTPL and financial assets at FVTOCI. To manage its price risk arising from investments in equity instruments, the Group diversifies its portfolio. Diversification of the portfolio is conducted in accordance with limits set by the Group.
- ii. The Group invests primarily in equity instruments and open-ended funds issued by domestic companies, the price of which may be affected by uncertainty as to the future value of the investment object. If the price of the said equity instruments increases or decreases by 1%, and all other factors remain unchanged, the net after-tax loss for 2023 and 2022 will increase or decrease by NT\$112,356 and NT\$81,395, respectively, due to the gains or losses on equity instruments at FVTPL, and the other comprehensive income would have increased or decreased by NT\$5,475 and NT\$5,112, respectively, due to gains or losses on the equity instrument investment at FVTOCI.

Interest rate risk of cash flow and fair value

- i. The Group's interest rate risk mainly comes from long-term borrowings issued at floating interest rates, exposing the Group to the interest rate risk of cash flow. In 2023 and 2022, the Group's loans taken out at floating interest rates were mainly denominated in NTD.
 - ii. The Group's loans are measured at amortized cost and the annual interest rate will be repriced every year according to the contracts. Therefore, the Group is exposed to the risk of future market interest rate changes.
 - iii. When the NTD borrowing interest rate rose or fell by 0.25%, while all other factors remained unchanged, the net income (loss) after tax would have decreased or increased by NT\$7,890 and NT\$7,820 in 2023 and 2022, respectively, as the interest expenses would change with the floating interest rates for the borrowings.
- b) Credit risk
- i. The credit risk of the Group is the risk of financial loss suffered by the Group arising from the failure of customers or counterparties of financial instruments to fulfill contractual obligations. It mainly comes from counterparties' inability to settle the contractual cash flow of account receivable in accordance with the payment terms.
 - ii. The Group has established credit risk management from the Group's perspective. For banks and financial institutions with whom it is dealing, only those with good credit ratings can be accepted as transaction counterparties. In accordance with the internal credit policy, each operating entity within the Group must conduct management and credit risk analysis of each new customer before deciding payment and delivery terms and conditions. The internal risk control system evaluates the credit quality of customers by considering their financial positions, past experience, and other factors. Individual risk limits are set by the Board of Directors based on internal or external ratings, and the drawdown of credit limits is regularly monitored.
 - iii. The indicators used by the Group to determine credit impairment of debt instrument investments are as follows:
 - i) The issuer is in material financial difficulty or is likely to go into bankruptcy or other financial restructuring;
 - ii) Delay or non-payment of interest or principal by the issuer;

- iii) Relevant changes in adverse national or regional economic conditions resulting in the issuer's default.
- iv. In accordance with the credit risk management procedures adopted by the Group, 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.
- v. The Group adopts IFRS 9 to set the following assumptions as the basis for judging whether the credit risk of financial instruments has increased significantly since initial recognition:
When a contract payment is overdue for more than 30 days in accordance with the agreed payment terms, it is deemed that the credit risk of a financial asset has increased significantly since the initial recognition.
- vi. The Group groups customers' account 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 Group writes off the amount of financial assets that cannot be reasonably expected to be recovered. However, the Group will continue to carry out the legal recourse procedures to preserve the creditor's rights. In 2023 and 2022, the Group had no claims that had been written off nor recourse activities underway.
- viii. The Group has included forward-looking considerations for the future global business information and adjusted the loss rate established based on historical and current information for a specific period to estimate the loss allowance for the notes and account receivable of customers with general credit ratings (including related parties). The provision matrix as of December 31, 2023 and 2022 is as follows:

	Expected loss rate	Total carrying amount	Loss allowance	Total
<u>December 31, 2023</u>				
Not past due	0.38%~4.03%	\$ 967,335	(\$ 940)	\$ 966,395
Overdue for 1–30 days	9.95%~25.4%	88,579	(845)	87,734
Overdue for 31–60 days	10.99%~83.6%	60,530	(1,483)	59,047
Overdue for 61–90 days	12.17%~95%	16,730	(522)	16,208
Overdue for 91–180 days	13.92%~100%	31,327	(11,837)	19,490
Overdue for 181 or more	24.8%~100%	45,751	(41,101)	4,650
		<u>\$ 1,210,252</u>	<u>(\$ 56,728)</u>	<u>\$ 1,153,524</u>

	Expected loss rate	Total carrying amount	Loss allowance	Total
<u>December 31, 2022</u>				
Not past due	0.5%~1.09%	\$ 789,111	(\$ 166)	\$ 788,945
Overdue for 1–30 days	2.7%~15.24%	89,229	(318)	88,911
Overdue for 31–60 days	4.4%~41.91%	56,578	(1,032)	55,546
Overdue for 61–90 days	8.5%~81.74%	12,286	(1,077)	11,209
Overdue for 91–180 days	10.6%~100%	70,069	(9,599)	60,470

	Expected loss rate	Total carrying amount	Loss allowance	Total
Overdue for 181 or more	26.7%~100%	30,068	(13,976)	16,092
		<u>\$ 1,047,341</u>	<u>(\$ 26,168)</u>	<u>\$ 1,021,173</u>

- ii) For customers with good credit ratings, the Group adopts the loss rate method to calculate the expected credit loss because the expected credit impairment is not significant. The expected loss rate is 0.2%. The total amount of account receivable as of December 31, 2023 and 2022 was NT\$202,037 and NT\$361,779, respectively, and the loss allowance was NT\$608 and NT\$1,907, respectively.
- iii) Based on historical experience, the Group conducts individual assessments to calculate expected credit losses for customers with higher credit risks, and 100% of the allowance for losses is provided. The total amount of accounts receivable and loss allowance as of December 31, 2023 and 2022 were NT\$18,130 and NT\$22,970, respectively, and reclassification to overdue receivables and loss allowance were NT\$130,433 and NT\$162,982, respectively.
- iv) The total carrying value of finance lease receivables as of December 31, 2023 and 2022, was NT\$45,380 and NT\$51,086, respectively. Due to good credit risk, the expected credit impairment was not significant, so the allowance for loss is NT\$0.
- v) The Group's financial assets measured at amortized cost are bank time deposits and corporate bonds which are overdue for more than three months from the initial maturity date or restricted. There is no significant irregularity to the credit risk rating.
- ix. The table of the changes in the Group's simplified loss allowance for notes and account receivable (including related parties), overdue receivables, and other account receivable is as follows:

	2023			
	Notes and account receivable	Overdue receivables	Other receivables	Total
January 1	\$ 51,045	\$ 162,982	\$ 8,420	\$ 222,447
Impairment loss recognized (reversed)	40,857	(1,459)	-	39,398
Write-off of unrecoverable accounts	(18,584)	(30,785)	-	(49,369)
Effect of exchange rate	2,148	(305)	-	1,843
Others	-	-	(617)	(617)
December 31	<u>\$ 75,466</u>	<u>\$ 130,433</u>	<u>\$ 7,803</u>	<u>\$ 213,702</u>

	2022			
	Notes and account receivable	Overdue receivables	Other receivables	Total
January 1	\$ 137,254	\$ 136,766	\$ 10,463	\$ 284,483
Reclassification	(61,570)	61,570	-	-
Reversal of impairment loss	(23,876)	(509)	(42)	(24,427)
Write-off of unrecoverable accounts	(2,197)	(35,108)	(2,001)	(39,306)
Effect of exchange rate	1,434	263	-	1,697
December 31	<u>\$ 51,045</u>	<u>\$ 162,982</u>	<u>\$ 8,420</u>	<u>\$ 222,447</u>

Among the losses recognized in 2023 and 2022, the impairment gains or losses recognized for receivables arising from customer contracts were NT\$39,398 and (NT\$24,385), respectively.

c) Liquidity risk

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

December 31, 2023

Non-derivative financial

<u>liabilities:</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
Short-term borrowings (including estimated interest)	\$ 450,630	\$ -	\$ -	\$ -
Short-term notes and bills payable	100,000	-	-	-
Notes payable	30,336	-	-	-
Account payables	860,811	-	-	-
Other payables	631,657	-	-	-
Lease liabilities	71,661	61,304	96,255	39,930

<u>Non-derivative financial</u>				
<u>liabilities:</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
Long-term borrowings (including due within one year or one operating cycle and estimated interest)	999,018	1,276,291	1,815,595	-
Long-term notes and account payable (listed in other non-current liabilities)	-	-	-	63,507
Guarantee deposits received (listed in other current and non-current liabilities)	863	772	5,118	1,692
<u>Derivative financial</u>				
<u>liabilities:</u>				
Forward exchange agreements	\$ 648	\$ -	\$ -	\$ -
December 31, 2022				
 <u>Non-derivative financial</u>				
<u>liabilities:</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
Short-term borrowings (including estimated interest)	\$ 701,651	\$ -	\$ -	\$ -
Short-term notes and bills payable	50,000	-	-	-
Notes payable	49,975	-	-	-
Account payables	653,767	-	-	-
Other payables	431,382	-	-	-
Lease liabilities	70,783	64,189	119,537	68,509
Long-term borrowings (including due within one year or one operating cycle and estimated interest)	1,590,332	1,612,275	810,671	-
Long-term notes and account payable (listed in other non-current liabilities)	-	-	-	63,507
Guarantee deposits received (listed in other non-current liabilities)	-	2,341	916	3,734
<u>Derivative financial</u>				
<u>liabilities:</u>				
Forward exchange agreements	\$ 1,952	\$ -	\$ -	\$ -

iii. Details of the unused borrowing limits of the Group are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Floating interest rate		
Due within one year	\$ 2,429,935	\$ 1,775,075
Due in more than one year	<u>1,970,000</u>	<u>135,000</u>
	<u>\$ 4,399,935</u>	<u>\$ 1,910,075</u>

c. Fair value information:

- 1) A. 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, beneficiary certificates and corporate bonds invested by the Group 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 Group belongs to this level.

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

- 2) Financial instruments not measured at fair value

The carrying amounts of the Group's financial instruments not measured at fair value, including cash and cash equivalents, 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 Group based on the nature, characteristics, risk, and the level of fair value of assets and liabilities. The relevant information is as follows:

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

December 31, 2023	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)				
Beneficiary certificates	\$ 257,573	\$ -	\$ -	\$ 257,573
Equity securities	10,780,999	-	152,000	10,932,999
Commercial bonds	56,149	-	-	56,149
Principal-protected film investment agreements	-	-	21,420	21,420
Film investment contracts	-	-	-	-
Privately offered funds	-	-	45,038	45,038
Derivative instruments	-	4,923	-	4,923
Financial assets at FVTOCI				
Equity securities	90,042	-	457,502	547,544
	<u>\$11,184,763</u>	<u>\$ 4,923</u>	<u>\$ 675,960</u>	<u>\$ 11,865,646</u>
Liabilities				
<u>Fair value on a recurring basis</u>				
Financial liabilities at fair value through profit or loss				
Derivative instruments	\$ -	\$ 648	\$ -	\$ 648
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)				
Beneficiary certificates	\$ 213,166	\$ -	\$ -	\$ 213,166
Equity securities	7,915,401	-	-	7,915,401
Commercial bonds	55,158	-	-	55,158
Principal-protected film investment agreements	-	-	18,200	18,200
Film investment contracts	-	-	4,700	4,700
Privately offered funds	-	-	10,980	10,980
Financial assets at FVTOCI				
Equity securities	72,264	-	438,943	511,207
	<u>\$ 8,255,989</u>	<u>\$ -</u>	<u>\$ 472,823</u>	<u>\$ 8,728,812</u>

December 31, 2022	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</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>

- b) The methods and assumptions used by the Group to measure fair value are as follows:
- i. The market quoted prices adopted by the Group as fair value inputs (i.e. Level 1) are listed below by characteristics:

	<u>Listed Stocks</u>	<u>Open-end Funds</u>	<u>Closed-end funds</u>	<u>Corporate bonds</u>
Market quoted prices	Closing price	Net worth	Net worth	Per the weighted average yield or price-per-hundred

- ii. Except for the above-mentioned financial instruments with active markets, the fair value of other financial instruments is obtained through valuation techniques or with reference to the quoted prices of counterparties.
 - iii. When evaluating non-standard and less complex financial instruments, the Group adopts the valuation techniques widely used by market participants. The parameters used in the valuation models for such financial instruments are usually market observable information.
 - iv. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present discounted value techniques and option pricing models. Forward exchange agreements are usually valued based on current forward exchange rates.
 - v. The output of the evaluation model is the estimated value, and the evaluation techniques may not reflect all the relevant factors of the financial instruments and non-financial instruments held by the Group. Therefore, the estimated value of the valuation models will be appropriately adjusted according to additional parameters.
- 4) There were no transfers between Level 1 and Level 2 fair value in 2023 and 2022.
 - 5) The table below shows the changes in Level 3 fair value in 2023 and 2022:

	2023		2022
January 1	\$ 472,823	\$	422,824
Acquisition of financial assets at FVTPL	183,622		2,500
Disposal of financial assets at FVTPL (	4,700)	(	3,032)
Price of acquisition of financial assets at fair value through other comprehensive income	9,163		59,575
Proceeds from disposal of financial assets at fair value through other comprehensive income	(135,342)	(	325)
Refund from capital reduction through equity instruments at FVTOCI	(5,784)	(	16,072)
Refund from liquidation equity instruments at FVTOCI	(434)		-
Listed in unrealized gain/loss on investments in equity instruments at FVTOCI - parent company	151,498	(	16,863)
Listed in unrealized gain/loss on investments in equity instruments at fair value through other comprehensive income - non-controlling interests	(7)		116
Unrealized valuation gain or loss on financial assets at FVTP	(1,287)		2,047
Effect of exchange rate	6,408		22,053
December 31	<u>\$ 675,960</u>	<u>\$</u>	<u>472,823</u>
Changes in unrealized gains or losses included in profit or loss at the end of the period (Note)	<u>(\$ 1,287)</u>	<u>\$</u>	<u>2,047</u>

Note: Table showing non-operating income and expenses.

- 6) There were no transfers into or out of Level 3 fair value in 2023 and 2022.
- 7) In the Group's valuation process for fair value classified as Level 3, the strategic investment department is responsible for independent fair value verification for financial instruments, uses data from independent sources to make the valuation results close to the market level, and confirms that the source of the data is independent, reliable, consistent with other resources, and representative of the executable price, while regularly calibrating the valuation model, updating the inputs and data required by the valuation model, and making any other necessary fair value adjustments to ensure that the valuation results are reasonable.

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

	Fair value on December 31, 2023	Valuation techniques	Significant unobservable inputs	Interval (weighted average)	Relationship between input and fair value
Non-derivative equity instruments:					
Unlisted stocks	\$ 471,106	Comparable public company approach	Price-to-earnings ratio, price-to-book ratio, enterprise value-to- operating income ratio, enterprise value-to-earnings before interest, taxes, depreciation, and amortization ratio, and lack of market liquidity discount	N/A	The higher the multiple, the higher the fair value; the higher the discount for market liquidity, the lower the fair value.
Stocks of venture capital companies	138,396	Net asset value method	N/A	N/A	N/A
Privately offered funds	45,038	Net asset value method	N/A	N/A	N/A
Principal-protected film investment agreements	21,420	Discounted cash flow	Discount rate	N/A	The higher the discount rate, the lower the fair value.
	Fair value on December 31, 2022	Valuation techniques	Significant unobservable inputs	Interval (weighted average)	Relationship between input and fair value
Non-derivative equity instruments:					
Unlisted stocks	\$ 308,201	Comparable public company approach	Price-to-earnings ratio, price-to-book ratio, enterprise value-to- operating income ratio, enterprise value-to-earnings before interest, taxes, depreciation, and amortization ratio, and lack of market liquidity discount	N/A	The higher the multiple, the higher the fair value; the higher the discount for market liquidity, the lower the fair value.
Stocks of venture capital companies	130,742	Net asset value method	N/A	N/A	N/A
Privately offered funds	10,980	Net asset value method	N/A	N/A	N/A
Film investment contracts	4,700	Discounted cash flow	Discount rate	N/A	The higher the discount rate, the lower the fair value.
Principal-protected film investment agreements	18,200	Discounted cash flow	Discount rate	N/A	The higher the discount rate, the lower the fair value.

- 9) The Group has selected valuation model and valuation parameters after careful evaluation, but different valuation results may occur due to the use of different valuation models or valuation parameters. For financial assets and financial liabilities classified as Level 3, if the valuation parameters were changed, the impact on the current period's profit or loss or other comprehensive income is as follows.

				December 31, 2023			
				Recognized in profit or loss		Recognized in other comprehensive income	
		<u>Input value</u>	<u>Changes</u>	<u>Favorable changes</u>	<u>Unfavorable changes</u>	<u>Favorable changes</u>	<u>Unfavorable changes</u>
Financial assets							
Equity instruments and privately offered funds							
	Market price and net asset value		±1%	<u>\$ 1,970</u>	<u>(\$ 1,970)</u>	<u>\$ 4,575</u>	<u>(\$ 4,575)</u>
				December 31, 2022			
				Recognized in profit or loss		Recognized in other comprehensive income	
		<u>Input value</u>	<u>Changes</u>	<u>Favorable changes</u>	<u>Unfavorable changes</u>	<u>Favorable changes</u>	<u>Unfavorable changes</u>
Financial assets							
Equity instruments and privately offered funds							
	Market price and net asset value		±1%	<u>\$ 110</u>	<u>(\$ 110)</u>	<u>\$ 4,389</u>	<u>(\$ 4,389)</u>

13. Supplementary Disclosures

a. Information on significant transactions

- 1) Loans to others: Table
- 2) Endorsements/Guarantees provided to others: Table
- 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
- 4) Marketable securities acquired or sold amounting to at least NT\$300 million or 20% of the paid-in capital: Table
- 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 6(17) for details.
- 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

a. General information.

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

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

b. Measurement of segment information

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

c. Information on profit or loss of segments

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

	2023					
	Storage media segment	Other optoelectronics segment	Investment segment	Other segments	Adjustments and write-offs	Total
External revenue	\$ 6,721,785	\$ 368,630	\$ -	\$ 294,032	\$ -	\$ 7,384,447
Internal segment revenue	<u>1,785,501</u>	<u>587</u>	<u>-</u>	<u>90,655</u>	<u>(1,876,743)</u>	<u>-</u>
	<u>\$ 8,507,286</u>	<u>\$ 369,217</u>	<u>\$ -</u>	<u>\$ 384,687</u>	<u>(\$ 1,876,743)</u>	<u>\$ 7,384,447</u>
Profit or loss of segments	<u>(\$ 390,256)</u>	<u>(\$ 9,468)</u>	<u>\$ 2,208,494</u>	<u>(\$ 47,919)</u>	<u>(\$ 1,614)</u>	<u>\$ 1,759,237</u>
Profit or loss of segments includes:						
Depreciation and amortization	<u>\$ 463,846</u>	<u>\$ 30,901</u>	<u>\$ 1,281</u>	<u>\$ 46,629</u>	<u>(\$ 20,141)</u>	<u>\$ 522,516</u>

2022

	Storage media segment	Other optoelectronics segment	Investment segment	Other segments	Adjustments and write-offs	Total
External revenue	\$ 7,009,132	\$ 357,308	\$ -	\$ 325,936	\$ -	\$ 7,692,376
Internal segment revenue	<u>1,740,745</u>	<u>-</u>	<u>-</u>	<u>65,292</u>	<u>(1,806,037)</u>	<u>-</u>
	<u>\$ 8,749,877</u>	<u>\$ 357,308</u>	<u>\$ -</u>	<u>\$ 391,228</u>	<u>(\$ 1,806,037)</u>	<u>\$ 7,692,376</u>
Profit or loss of segments	<u>(\$ 479,201)</u>	<u>(\$ 133,891)</u>	<u>(\$ 481,407)</u>	<u>(\$ 27,416)</u>	<u>\$ 39,019</u>	<u>(\$ 1,082,896)</u>
Profit or loss of segments includes:						
Depreciation and amortization	<u>\$ 577,363</u>	<u>\$ 34,613</u>	<u>\$ 1,318</u>	<u>\$ 72,039</u>	<u>(\$ 19,824)</u>	<u>\$ 665,509</u>

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

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

e. Information on products and services

Please Note 6(25) for details.

f. Geographical region information

Geographical region information for 2023 and 2022 is as follows:

	2023		2022	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 556,055	\$ 4,842,930	\$ 526,214	\$ 5,158,916
Americas	1,685,203	102,429	2,094,222	204,687
Japan	1,656,288	629	1,647,258	2,257
Asia	647,962	10,520	668,921	10,569
Mainland China	288,713	420,775	309,606	452,069
Europe	2,137,397	85,308	2,023,003	97,226
Others	412,829	22,602	423,152	25,351
Total	<u>\$ 7,384,447</u>	<u>\$ 5,485,193</u>	<u>\$ 7,692,376</u>	<u>\$ 5,951,075</u>

g. Major customer information

The Group only had one individual customer from the storage media segment who accounted for at least 10% of its operating income in 2023 and 2022, with the amount of NT\$967,218 and NT\$936,458, respectively.

CMC Magnetics Corporation and Its Subsidiaries

Loans to Others

January 1 to December 31, 2023

Table 1

Unit: NT\$ thousands

No. (Note 1)	Lender	Borrower	Transaction Items (Note 2)	Related Party Status	Highest Amount of the Period (Note 3)	Closing Balance (Note 11)	Actual Amount Drawn Down	Range of Interest Rates (%)	Type of Lending (Note 4)	Amount of Transaction (Note 5)	Reason for Short- term Financing (Note 6)	Loss Allowance Provided	Collateral		Limit for Individual Borrower	Total Limit	Remarks
													Name	Value			
0	CMC	Sun Well Solar	Other receivables - related parties	Y	\$ 1,055,300	\$ -	\$ -	-	2	\$ -	Working capital	\$ -	-	\$ -	\$ 2,771,986	\$ 7,391,962	Note 7, Note 12, Note 13
1	EMC Investment Holding	Fortune (Jiangsu) Multimedia	Other receivables	Y	213,408	207,744	207,744	-	2	-	Working capital	-	-	-	507,038	1,352,100	Note 9, Note 11
1	EMC Investment Holding	Verbatim Japan	Other receivables	Y	23,210	21,710	21,710	-	2	-	Working capital	-	-	-	507,038	1,352,100	Note 9, Note 11
1	EMC Investment Holding	CMC	Other receivables	Y	317,863	300,909	300,909	-	2	-	Working capital	-	-	-	1,690,126	1,352,100	Note 9, Note 11
2	SuperNet	CMC	Other receivables	Y	30,725	27,635	27,635	-	2	-	Working capital	-	-	-	206,355	165,084	Note 10, Note 11
3	Fortune (Jiangsu) Electronic	Sun Biotech	Other receivables	Y	16,917	16,468	16,468	3.45-4.35	2	-	Working capital	-	-	-	45,509	45,509	Note 8, Note 11

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

(1) The Company is coded "0".

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

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

Note 3: The highest balance of funds loaned to others in the current year.

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

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

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

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

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

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

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

Note 9: The upper limit on the funds lent is 40% of the current net worth of the lender. The limit on the funds lent to each entity shall not exceed 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 10: 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 11: The translation is based on the original currency multiplied by the exchange rate at the end of the period.

Note 12: Relevant processing procedures have been reported to the board of directors in accordance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees.

Note 13: The company was dissolved and liquidated by a resolution of the shareholders' meeting in 2023

CMC Magnetics Corporation and Its Subsidiaries
Endorsements/Guarantees Provided to Others
January 1 to December 31, 2023

Table 2

Unit: NT\$ thousands
(unless otherwise specified)

No. (Note 1)	Company Name (Endorsement/ Guarantee Provider)	Party Endorsed/Guaranteed		Limit of Endorsement /Guarantee for a Single Entity	Maximum Endorsement / Guarantee Balance (Note 4)	Balance of Endorsement/ Guarantee, End of Period (Note 5)	Actual Amount Drawn Down (Note 6)	Endorsement/ Guarantee Secured with Collateral	Cumulative Endorsements/ Guarantees to the Net Equity in the Latest Financial Statements (%)	Upper Limit of Endorsements/ Guarantees	Parent to Subsidiary (Note 7)	Subsidiary to Parent (Note 7)	To Entity in Mainland China (Note 7)	Remarks
		Company Name	Relationship (Note 2)											
1	CMC Entertainment	CMC Entertainment	4	\$ 49,795	\$ 1,632	\$ 1,632	\$ -	\$ -	0.98	\$ 49,795	N	N	N	Note 3
		Hub												

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, 2023, 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\$1,806.

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, 2023

Table 3

Unit: NT\$ thousands
 (unless otherwise specified)

Securities held by	Type and Name of Securities (Note 1)	Relationship with Securities Issuer	General Ledger Account	End of Period				Remarks
				Number of Shares	Carrying Amount (Note 2)	Shareholding Percentage (%)	Fair Value	
CMC	Stock of Taiwan High Speed Rail Corporation		Financial assets at fair value through profit or loss - current	53,288,000	\$ 1,635,942	0.95	\$ 1,635,942	
	Stock of Evergreen Marine Corporation		"	9,157,000	1,314,030	0.43	1,314,030	
	Stock of Chateau International Development Company Limited		"	13,121,326	826,644	11.10	826,644	
	Stock of Yang Ming Marine Transport Corporation		"	15,247,000	782,171	0.44	782,171	
	Stock of Silicon Integrated Systems Corp.		"	10,793,000	492,161	1.44	492,161	
	Stock of Tainan Enterprises Co., Ltd.		"	11,808,000	345,384	8.08	345,384	
	Stock of Farglory Hotel Co., Ltd.		"	3,299,000	115,135	3.14	115,135	
	Funds and stock of Fubon Financial Holding Co., Ltd.		"		<u>188,265</u>		<u>188,265</u>	
					<u>\$ 5,699,732</u>		<u>\$ 5,699,732</u>	
	Stock of Taiwan High Speed Rail Corporation		Financial assets at FVTPL - non-current	63,700,000	1,955,590	1.13	1,955,590	Note 3
	Stock of Chateau International Development Company Limited		"	3,800,000	239,400	3.21	239,400	Note 3
	Stock of Farglory Hotel Co., Ltd.		"	5,000,000	174,500	4.76	174,500	Note 3
	Stock of Pell Bio-Med Technology Co., Ltd.		"		<u>104,434</u>		<u>104,434</u>	Note 3
					<u>\$ 2,473,924</u>		<u>\$ 2,473,924</u>	
	Stock of Strand Europe		Financial assets at FVTOCI - non-current		<u>\$ 217,430</u>	11.14	<u>\$ 217,430</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, 2023, the Company provided 72,620 shares of marketable securities (Carrying amount: NT\$2,386,710) as pledge guarantee.

CMC Magnetix 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, 2023

Table 3

Unit: NT\$ thousands
 (unless otherwise specified)

Securities held by	Type and Name of Securities (Note 1)	Relationship with Securities Issuer	General Ledger Account	End of Period				Remarks
				Number of Shares	Carrying Amount (Note 2)	Shareholding Percentage (%)	Fair Value	
CHC	Stock of Taiwan High Speed Rail Corporation		Financial assets at fair value through profit or loss - current	16,926,000	\$ 519,628	0.30	\$ 519,628	
	Millerful No.1 REIT		"	16,340,332	164,220		164,220	
	Stock of Farglory Hotel Co., Ltd.		"	3,367,000	117,508	3.21	117,508	
	Stock of Evergreen Marine Corporation		"		<u>161,068</u>		<u>161,068</u>	
					<u>\$ 962,424</u>		<u>\$ 962,424</u>	
	Stock of Taiwan High Speed Rail Corporation		Financial assets at FVTPL - non-current	22,500,000	\$ 690,750	0.40	\$ 690,750	Note 3
	Stock of Chateau International Development Company Limited		"	6,210,965	391,291	5.25	391,291	Note 3
	Stock of Tainan Enterprises Co., Ltd.		"	9,522,000	278,519	6.52	278,519	Note 3
	Stock of Chung Hsin Electric & Machinery Manufacturing Corporation		"	2,256,730	262,909	0.45	262,909	Note 3
	Stock of Farglory Hotel Co., Ltd.		"	5,800,000	202,420	5.52	202,420	Note 3
	Stock of Pell Bio-Med Technology Co., Ltd.		"		<u>100,999</u>		<u>100,999</u>	
					<u>\$ 1,926,888</u>		<u>\$ 1,926,888</u>	
	Stock of Gaius Automotive Inc.		Financial assets at FVTOCI - non-current		<u>\$ 111,011</u>		<u>\$ 111,011</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, 2023, CHC provided 36,600 shares of marketable securities (Carrying amount: NT\$1,317,695) as pledge guarantee.

CMC Magnetism 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, 2023

Table 3

Unit: NT\$ thousands
 (unless otherwise specified)

Securities held by	Type and Name of Securities (Note 1)	Relationship with Securities Issuer	General Ledger Account	End of Period			Remarks
				Number of Shares	Carrying Amount (Note 2)	Shareholding Percentage (%)		Fair Value
CIA	Stock of Transpac Corporation		Financial assets at FVTOCI - non-current		<u>\$ 12,374</u>		<u>\$ 12,374</u>
Supernet	Stock of Sands China Limited		Financial assets at fair value through profit or loss - current		<u>\$ 69,043</u>		<u>\$ 69,043</u>
	Stock of GlassBridge		"		788		788
	HSBC Commercial Bank Bonds				<u>56,149</u>		<u>56,149</u>
					<u>\$ 125,980</u>		<u>\$ 125,980</u>
	Privately Offered Fund - WI HARPER No. 9 Fund		Financial assets at FVTPL - non-current		<u>\$ 35,345</u>		<u>\$ 35,345</u>
	Stock of Blue Rain Capital Co., Ltd.		Financial assets at FVTOCI - non-current		<u>\$ 27,710</u>	3.36	<u>\$ 27,710</u>
CMC Entertainment	Stock of Mandarin Vision Co., Ltd.		Financial assets at FVTOCI - non-current		<u>\$ 2,178</u>		<u>\$ 2,178</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 Held at the End of the Period (Excluding Investment in Subsidiaries, Associates, and Joint Ventures)
 January 1 to December 31, 2023

Table 3

Unit: NT\$ thousands
 (unless otherwise specified)

Securities held by	Type and Name of Securities (Note 1)	Relationship with Securities Issuer	General Ledger Account	End of Period			Fair Value	Remarks
				Number of Shares	Carrying Amount (Note 2)	Shareholding Percentage (%)		
Deltamac	Ordinary shares of Self Pick Inc.		Financial assets at FVTOCI - non-current	500,000	\$ 575	6.25	\$ 575	
Transtouch	Cathay US Multi-Income Balanced Fund		Financial assets at FVTPL - current		\$ 38,453		\$ 38,453	
	Taiwan Cement Corp. 2nd Preferred Shares		"		19,320		19,320	
	Privately offered fund—First Financial—UBS Global Real Estate Private Equity Securities Investment Trust Fund		Financial assets at FVTPL - non-current		\$ 9,693		\$ 9,693	
	Ordinary shares of Chunghwa Telecom Co., Ltd		Financial assets at FVTOCI - non-current		\$ 90,042		\$ 90,042	
EMC H	CDIB Yida Private Equity (Kunshan) Biomedical Equity Investment Fund		Financial assets at FVTOCI - non-current		\$ 36,321		\$ 36,321	
Fortune (Jiangsu) Electronic	CDIB Yida Private Equity (Kunshan) Investment Fund		Financial assets at FVTOCI - non-current		\$ 49,903		\$ 49,903	

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

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

CMC Magnetics Corporation and Its Subsidiaries

Marketable Securities Acquired or Sold Amounting to at Least NT\$300 Million or 20% of the Paid-in Capital

January 1 to December 31, 2023

Table 4

Unit: NT\$ thousands
(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)			End of Period (Note 6)		Remarks	
					Number of Shares (Thousand Shares)	Amount	Number of Shares (Thousand Shares)	Amount	Number of Shares (Thousand Shares)	Selling Price	Book Cost	Gains or Losses on Disposal	Number of Shares (Thousand Shares)		Amount
CMC	Stock of Taiwan High Speed Rail Corporation	Financial assets at FVTPL - current and non-current	-	-	99,367	\$ 3,099,082	35,623	\$ 1,060,444	18,002	\$ 538,748	\$ 558,810	(\$ 20,062)	116,988	\$ 3,591,532	
"	Stock of Evergreen Marine Corporation	"	-	-	6,212	1,326,665	8,162	916,407	5,097	635,577	795,807	(160,230)	9,277	1,331,250	
"	Stock of Yang Ming Marine Transport Corporation	Financial assets at fair value through profit or loss - current	-	-	10,459	777,282	19,023	911,877	14,235	699,912	823,061	(123,149)	15,247	782,171	
"	Stock of Silicon Integrated Systems Corp.	"	-	-	-	-	23,391	1,057,418	12,598	546,752	542,469	4,283	10,793	492,161	
"	Stock of Chung Hsin Electric & Machinery Manufacturing Corporation	"	-	-	150	9,680	5,054	444,282	5,204	479,276	453,962	25,314	-	-	
CHC	Stock of Taiwan High Speed Rail Corporation	Financial assets at FVTPL - current and non-current	-	-	25,739	849,511	17,160	521,585	3,473	102,523	111,739	(9,216)	39,426	1,210,378	
"	Stock of Taiwan Semiconductor Manufacturing Co., Ltd.	Financial assets at fair value through profit or loss - current	-	-	340	156,895	640	342,371	980	503,708	499,266	4,442	-	-	
"	Stock of MediaTek Inc.	"	-	-	158	103,480	814	574,680	972	667,005	678,160	(11,155)	-	-	
"	Stock of Evergreen Marine Corporation	"	-	-	1,052	170,259	14,407	2,136,816	15,032	2,158,228	2,258,478	(100,250)	427	61,275	
"	Stock of Yang Ming Marine Transport Corporation	"	-	-	1,744	111,330	11,395	633,323	13,139	737,047	744,653	(7,606)	-	-	
"	Stock of Silicon Integrated Systems Corp.	"	-	-	-	-	9,132	364,694	8,042	335,740	314,955	20,785	1,090	49,704	
SuperNet	Stock of Sands China Limited	Financial assets at fair value through profit or loss - current	-	-	258	25,407	13,353	1,412,418	12,843	1,349,771	1,367,121	(17,350)	768	69,042	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, 2023.

CMC Magnetism 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, 2023

Table 5

Unit: NT\$ thousands
 (unless otherwise specified)

Company	Counterparty	Relationship	Transaction		Proportion to Total Purchases (Sales)		Situation and Reason that Transaction Conditions are Different from General Ones (Note 1)		Notes/Accounts Receivable (Payable)		Remarks (Note 2)
			Purchase (Sale)	Amount	Proportion to Total Purchases (Sales)	Credit Period	Unit Price	Credit Period	Balance	Proportion to Total Notes/Accounts Receivable (Payable)	
CMC	Fortune (Jiangsu Multimedia)	Subsidiary of sub-subsidiary	Sale	\$ 169,337	6%	As it is between parent and sub-subsidiary, the credit period is slightly longer than that of general customers	Equivalent to non-related party	As it is between parent and sub-subsidiary, the credit period is slightly longer than that of general customers	\$ 67,776	7%	
"	VJP	Sub-subsidiary	Sale	767,529	25%	No significant difference from general transactions	"	No significant difference from general transactions	349,221	38%	
"	VUS	Subsidiary of sub-subsidiary	Sale	482,053	16%	"	"	"	182,400	20%	
"	VGmbH	Sub-subsidiary	Sale	297,031	10%	"	"	"	101,328	11%	

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 Magnetix Corporation and Its Subsidiaries
Receivables from Related Parties Amounting to at Least NT\$100 Million or 20% of the Paid-in Capital
December 31, 2023

Table 6

Unit: NT\$ thousands
(unless otherwise specified)

Company under Account Receivable	Counterparty	Relationship	Balance of Account Receivable from Related Parties (Note 1)	Turnover Rate (Times)	Overdue Receivables from Related Parties		Recovered Amount from Related Party After Balance Sheet Date		Loss allowance provided
					Amount	Response Method			
CMC	VJP	Sub-subsiary	\$ 349,221	2.31	\$ 154,119	Strengthening Collection	\$ 106,577	\$ -	
"	VUS	Subsidiary of sub- subsidiary	182,400	2.73	2,616	Strengthening Collection	59,775	-	
"	VGmbH	Sub-subsiary	101,328	2.43	-	-	29,954	-	
"	Sun Well Solar	Subsidiary (Note 3)	1,095,178	Note 2	-	-	-	1,095,178	
EMC H	Fortune (Jiangsu) Multimedia	Sub-subsiary	207,744	Note 2	-	-	-	-	
"	CMC	Ultimate parent company	300,909	Note 2	-	-	-	-	

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

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

Note 3: The company was dissolved and liquidated by a resolution of the shareholders' meeting in 2023

CMC Magnetics Corporation and Its Subsidiaries

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

January 1 to December 31, 2023

Table 7

Unit: NT\$ thousands
(unless otherwise specified)

No. (Note 1)	Company	Counterparty	Nature of Relationship (Note 2)	Transaction Details			Proportion to Total Consolidated Revenue or Assets (Note 3)
				Ledger Account	Amount (Note 6)	Transaction Conditions	
0	CMC	Fortune (Jiangsu) Multimedia	1	Sale	\$ 169,337	Note 4	2.29%
"	"	"	1	Accounts receivable	67,776	Note 4	0.27%
"	"	VJP	1	Sale	767,529	Note 4	10.39%
"	"	"	1	Accounts receivable	349,221	Note 4	1.37%
"	"	VUS	1	Sale	482,053	Note 4	6.53%
"	"	"	1	Accounts receivable	182,400	Note 4	0.72%
"	"	VGmbH	1	Sale	297,031	Note 4	4.02%
"	"	"	1	Accounts receivable	101,328	Note 4	0.40%
1	EMC H	Fortune (Jiangsu) Multimedia	1	Other receivables	207,744	Note 5	0.81%
"	"	CMC	2	Other receivables	300,909	Note 5	1.18%

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 payments

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

CMC Magnetism Corporation and Its Subsidiaries
Information on Name and Location of Investees (Excluding Investees in Mainland China)
January 1 to December 31, 2023

Table 8

Unit: NT\$ thousands
(unless otherwise specified)

Investor	Name of Investee (Notes 1 and 2)	Location	Principal Business	Original Investment Cost		Shares Held at the End of Period			Profit or Loss on Investee (Note 2(2))	Investment Gains or Losses Recognized for Current Period (Note 2(3))	Remarks
				End of Current Period	End of Last Year	Number of Shares	Percentage (%)	Carrying amount			
CMC	EMC H	Cayman Islands	Professional investment company	\$ 10,453,855	\$ 10,453,855	61,527	100.00	\$ 3,239,402	(\$ 245,638)	(\$ 245,638)	Subsidiary of the Company
"	CIA	Cayman Islands	Professional investment company	872,018	872,018	29,688,245	86.35	433,227	(10,357)	(8,943)	"
"	CHC	Taiwan	Investment in various production businesses	180,421	180,421	261,595,273	100.00	3,662,453	634,945	634,945	"
"	CMC Entertainment	Taiwan	Film production and distribution industry	714,888	714,888	18,956,000	100.00	165,986	(10,093)	(10,093)	"
"	Transtouch	Taiwan	Production and sales of touch panels and other products	509,721	515,768	15,173,223	51.99	335,612	(9,833)	(5,458)	"
"	Deltamac (Taiwan)	Taiwan	Sales of audio-visual CD products	377,635	377,635	14,892,015	38.91	157,811	(18,379)	(6,259)	"
"	CMC Entertainment Hub	Taiwan	Shopping mall business	260,000	260,000	13,300,000	100.00	36,891	(17,479)	(17,479)	"
EMC H	F5	U.S.	Professional investment company	3,591,096	3,591,096	23,064	100.00	965,927	(242,478)	-	Sub-subsidiary of the Company (Note 3)
"	MFLLC	U.S.	Professional investment company	1,283,980	1,283,980	-	100.00	283,536	6,987	-	"
"	Jet-Thai	Thailand	Production and sales of optical discs	3,695,664	3,695,664	43,500,400	100.00	17,773	(491)	-	"
"	VJP	Japan	Trading of storage media and electronic products	16,368	16,368	5,900	100.00	7,864	(31,150)	-	"
"	VAU	Australia	Trading of storage media and electronic products	411,105	411,105	100,000	100.00	331,806	(168)	-	"
"	VGmbH	Germany	Trading of storage media and electronic products	731,912	731,912	-	100.00	967,661	36,686	-	"
"	VHK	Hong Kong	Trading of storage media and electronic products	154,050	144,364	4,045,500	100.00	134,204	(2,737)	-	"
"	Others	Others		-	-	-	-	(7,928)	-	-	Note 3

CMC Magnetics Corporation and Its Subsidiaries
Information on Name and Location of Investees (Excluding Investees in Mainland China)
January 1 to December 31, 2023

Table 8

Unit: NT\$ thousands
(unless otherwise specified)

Investor	Name of Investee (Notes 1 and 2)	Location	Principal Business	Original Investment Cost		Shares Held at the End of Period			Profit or Loss on Investee (Note 2(2))	Investment Gains or Losses Recognized for Current Period (Note 2(3))	Remarks
				End of Current Period	End of Last Year	Number of Shares	Percentage (%)	Carrying amount			
F5	VUS	U.S.	Trading of storage media and electronic products	\$ 1,418,407	\$ 1,418,407	-	100.00	\$ 969,588	(\$ 240,517)	\$ -	Subsidiary of F5, sub-subsidiary of the Company (Note 3)
VUS	Vexus	U.S.	Trading of storage media	3	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	448,887	(9,235)	-	Sub-subsidiary of the Company (Note 3)
"	Others	Others		-	-	-	-	77,858	-	-	Note 3
CHC	CIA	Cayman Islands	Professional investment company	111,185	111,185	4,692,049	13.65	99,786	(10,357)	-	Subsidiary of the Company (Note 3)
"	Vie Show Cinemas	Taiwan	Operation and management of cinemas, restaurants, and amusement parks	74,015	74,015	29,962,500	29.96	220,116	120,294	-	Investee measured using the equity method by CHC, subsidiary of the Company (Note 3)
"	Others	Others		-	-	-	-	42,346	-	-	Note 3

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

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

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

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

CMC Magnetics Corporation and Its Subsidiaries
Information on Investments in Mainland China - Basic Information
January 1 to December 31, 2023

Table 9

Unit: NT\$ thousands
(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	Current Profit or Loss on Investee	The Company's Direct or Indirect Ownership (%)	Investment Gains (Losses) Recognized for Current Period (Note 2)	Carrying Amount of Investment, End of Period	Accumulated Repatriation of Investment Income as of End of Period	Remarks
					Remitted to Mainland China	Remitted back to Taiwan							
Fortune (Jiangsu) Multimedia Co., Ltd.	Production and sales of optical discs	\$ 1,345,476	2	\$ 1,345,476	\$ -	\$ -	\$ 1,345,476	\$ 7,799	97.00	\$ 7,565	\$ 295,909	\$ -	Note 2(2)B
Fortune (Jiangsu) Electronic Materials Co., Ltd.	Production and sales of plastic boxes, boxes, baskets, and similar products	531,053	2	531,053	-	-	531,053	1,254	100.00	1,254	113,776	-	"
Nantong Zhongxing Multimedia Co., Ltd.	Production and sales of optical discs	35,678	2	35,678	-	-	35,678	(51)	49.00	(25)	7,858	-	"
Sun Biotech Limited (Nantong)	R&D and wholesale of biological probiotics	14,786	2	14,786	-	-	14,786	(2,017)	50.00	(1,009)	-	-	"

Company Name	Accumulated Outward Remittance for Investment in Mainland China, End of Period	Investment Amount Authorized by Investment Commission, MOEA	Limit on Investment Amount Stipulated by Investment Commission, MOEA
CMC Magnetics Corporation	\$ 2,722,590	\$ 4,052,335	\$ 11,291,708

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

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

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

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

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

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

CMC Magnetics Corporation and Its Subsidiaries
Information on Major Shareholders
December 31, 2023

Table 10

Name of Major Shareholder	Number of Shares Held	Shareholding 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.

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

Independent Auditors' Report

(113) Financial Review Report No. 23004479

To CMC Magnetics Corporation:

Opinion

We have reviewed the accompanying parent company alone balance sheets of CMC Magnetics Corporation (the “Company”) for the years ended December 31, 2023 and 2022 and the relevant parent company alone statements of comprehensive income, changes in equity and cash flows for the period from January 1 to December 31, 2023, 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, 2023 and 2022, and its standalone financial performance and its standalone cash flows from January 1 to December 31, 2023 in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers based on our audit results and the audit reports of other certified public accountants (CPAs)(refer to the section of “Other matters”).

Basis for Audit Opinion

The auditor has conducted the audit work in accordance with the Rules for Auditing Certified Financial Statements and the Auditing Standards of the Republic of China. The auditor's responsibilities under these standards will be further explained in the section on the auditor's responsibility for auditing the individual financial statements. The personnel of the firm to which the auditor belongs, in accordance with the Code of Professional Ethics for Certified Public Accountants of the Republic of China, maintain independence from CMC Magnetics Corporation and fulfill other responsibilities under that code. Based on the auditor's audit findings and the audit reports of other auditors, the auditor believes that sufficient and appropriate audit evidence has been obtained to serve as a basis for expressing the audit opinion.

Key Audit Matters

The key audit matters refer to the matters that, in the professional judgment of the auditor, are of most significance in the audit of the individual financial statements of CMC Magnetics Corporation for the year 2023. These matters have been addressed in the overall audit of the individual financial statements and in the process of forming the audit opinion. The auditor does not express a separate opinion on these matters.

Key audit matters of the parent company only financial statements of the Company for the year ended 2023 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.

CMC Magnetics Corporation mainly manufactures and sells optical discs. Due to frequent market price fluctuations in such inventories, there is a higher risk of inventory valuation losses. CMC

Magnetics Corporation'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 CMC Magnetics Corporation's allowance for inventory valuation losses as one of the key audit matters for the current year.

Corresponding audit procedures

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

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

Evaluation of impairment of property, factories and equipment

Description

For the accounting policies for impairment of property, factories and equipment and non-financial assets, please refer to Notes 4 (15) and 4 (20) of the parent company only financial statements; for the uncertainty of accounting estimates and assumptions for impairment of property, factories and equipment, please refer to Note 5 (2) of the parent company only financial statements; for the description of impairment accounting items of property, factories and equipment and non-financial assets, please refer to Notes 6 (8) and 6 (12) of the parent company only financial statements.

CMC Magnetics Corporation evaluates the recoverable amount of its real estate, factories, and equipment based on their utility value, which serves as the basis for impairment assessment. Since the evaluation of utility value involves judgment by management, any changes in estimates due to changes in economic conditions or company strategies may result in impairment in the future. Therefore, the auditor has identified the impairment assessment of CMC Magnetics Corporation's real estate, factories, and equipment 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. Recalculate relevant amounts to check the correctness of the management's relevant calculations of the recoverable amount of assets with signs of impairment at the balance sheet date.
2. Understand and evaluate whether the Company's asset impairment assessment procedures and accounting policies are consistent with accounting principles and adopted consistently, including methods used by management to determine the recoverable amount of individual assets.
3. Obtain the evaluation information used by the management to determine the recoverable amount based on the asset usage model and industry characteristics, evaluate and determine the reasonableness of the independent cash flow of the asset group, the useful life of the asset, and the possible future income and expenses.

Other Matters – Audits by other CPAs

The financial statements of the investee companies accounted for using the equity method in the individual financial statements of the Company have not been audited by our auditors, but rather by

other auditors. Therefore, in our opinion on the aforementioned individual financial statements, the amounts presented in the financial statements of those companies are based on the audit reports of the other auditors. The investment amounts in the aforementioned companies accounted for using the equity method as of December 31, 2023 and 2022 were NT\$1,876,364 thousand and NT\$2,130,931 thousand, respectively, representing 7.79% and 9.65% of the total assets. The comprehensive losses recognized for the aforementioned companies from January 1, 2023 to December 31, 2023 and from January 1, 2022 to December 31, 2022 were NT\$233,161 thousand and NT\$387,858 thousand, respectively, representing (12.06%) and 51.04% of the total comprehensive income.

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

The responsibilities of the management are to prepare the parent company only financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and to maintain necessary internal control associated with the preparation in order to ensure that the financial statements are free from material misstatement arising from fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

The purpose of the auditor's examination of the individual financial statements is to obtain reasonable assurance about whether the individual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report. Reasonable assurance is a high level of assurance, but it is not absolute assurance, since the audit work performed in accordance with the auditing standards of the Republic of China cannot guarantee that all material misstatements caused by fraud or error will be detected. Material misstatements may arise from fraud or error. If the individual amounts or total amounts of misstatements are reasonably expected to influence the economic decisions of the users of the individual financial statements, they are considered to be material.

The auditor conducted the audit in accordance with the auditing standards of the Republic of China, using professional judgment and skepticism. The auditor also performed the following tasks:

1. Identify and evaluate the significant risks of material misstatement in the individual financial statements arising from fraud or error; design and implement appropriate responses to the assessed risks; and obtain sufficient and appropriate audit evidence to serve as a basis for the audit opinion. Due to the possibility of fraud involving collusion, forgery, intentional omission, false representations, or override of internal controls, the risk of material misstatement arising from fraud is higher than that arising from error.
2. Understand the internal control related to the audit in order to design appropriate audit procedures under the circumstances, while not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by the management.

4. Based on the audit evidence obtained, conclusions are drawn regarding the appropriateness of management's use of the going concern accounting basis and the existence of significant uncertainties that may cast doubt on the ability of the Company to continue operating. If the auditor determines that such uncertainties exist, they must alert users of the individual financial statements in the audit report to the relevant disclosures or modify the audit opinion if the disclosures are deemed inappropriate. The auditor's conclusions are based on the audit evidence obtained up to the date of the audit report. However, future events or circumstances may lead to the Company no longer having the ability to continue operating.
5. Evaluate the overall presentation, structure, and content of the parent company only financial statements (including relevant notes), and whether the parent company only financial statements adequately present the relevant transactions and events.
6. Sufficient and appropriate audit evidence has been obtained regarding the financial information of the individual components within the Company to express an opinion on the individual financial statements. The accountant is responsible for guiding, supervising, and executing the individual audit cases, and is responsible for forming the audit opinion on the individual financial statements.

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

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

Based on the matters communicated with the governance unit, the auditor has determined the key audit matters for the audit of the individual financial statements of the Company for the 2023 year. The auditor shall disclose such matters in the audit report, unless prohibited by law or in extremely rare circumstances where the auditor determines that communicating specific matters in the audit report would be expected to outweigh the public interest.

PricewaterhouseCoopers Taiwan

Wang Song-Tse

CPA

Lin Chun-Yao

Financial Supervisory Commission

Approved Visa No.: Financial Supervisory Commission

Review Letter No. 1110349013.

Former Securities and Exchange Commission of the Ministry
of Finance

Approved Visa No.: (85) Taiwan Finance Visa (6) No. 68702

March 14, 2024

CMC Magnetics Corporation
Parent Company Only Balance Sheet
December 31, 2023 and January 1 and December 31, 2022

Unit: NT\$ thousands

Assets	Notes	December 31, 2023		(Adjusted) December 31, 2022		(Adjusted) January 1, 2022		
		Amount	%	Amount	%	Amount	%	
Current assets								
1100	Cash and cash equivalents	6 (1)	\$ 1,168,756	5	\$ 1,191,212	5	\$ 1,087,921	5
1110	Financial assets at fair value through profit or loss - current	6 (2)	5,704,655	24	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)	136	-	230	-	2,049	-
1170	Net account receivables	6 (4)(5)	202,518	1	396,291	2	461,171	2
1180	Account receivables - related parties, net	7	714,523	3	784,470	4	704,314	3
1200	Other receivables	6 (5)	38,933	-	38,349	-	133,400	1
1210	Other receivables from related parties	7	5,576	-	11,578	-	6,318	-
130X	Inventories	6 (6)	1,029,996	4	1,340,690	6	1,162,903	5
1470	Other current assets	6 (10)	67,956	-	68,896	-	39,502	-
11XX	Total current assets		<u>8,933,049</u>	<u>37</u>	<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	2,473,924	10	2,029,009	9	1,778,245	8
1517	Financial assets at fair value through other comprehensive income - non-current	6 (3)	217,430	1	53,243	-	59,826	-
1535	Financial assets at amortized cost - non-current	8	10,111	-	-	-	-	-
1550	Investments accounted for using the equity method	6 (7)	8,031,382	33	7,721,165	35	7,788,816	35
1600	Property, factories and equipment	6 (8)(12), 7, and 8	3,178,005	13	3,427,831	16	3,784,790	17
1755	Right-of-use assets	6 (9)	19,912	-	22,474	-	3,240	-
1760	Investment properties, net	6 (11) and 8	595,352	3	616,833	3	638,949	3
1780	Intangible assets		10,352	-	37,592	-	66,593	-
1840	Deferred income tax assets	6 (29)	147,999	1	162,108	1	179,553	1
1900	Other non-current assets	6 (10) (13) and 7	473,552	2	472,137	2	432,211	2
15XX	Total non-current assets		<u>15,158,019</u>	<u>63</u>	<u>14,542,392</u>	<u>66</u>	<u>14,732,223</u>	<u>66</u>
1XXX	Total assets		<u>\$ 24,091,068</u>	<u>100</u>	<u>\$ 22,086,237</u>	<u>100</u>	<u>\$ 22,288,761</u>	<u>100</u>

(Continued on the next page)

CMC Magnetics Corporation
Parent Company Only Balance Sheet
December 31, 2023 and January 1 and December 31, 2022

Unit: NT\$ thousands

Liabilities and equity	Notes	December 31, 2023		(Adjusted) December 31, 2022		(Adjusted) January 1, 2022		
		Amount	%	Amount	%	Amount	%	
Current liabilities								
2100	Short-term borrowings	6 (14)	\$ 450,000	2	\$ 550,000	3	\$ 336,958	2
2110	Short-term Notes Payable	6 (15)	-	-	50,000	-	50,000	-
2120	Financial liabilities at fair value	6 (16)						
	through profit or loss- current		648	-	1,952	-	-	-
2130	Contract liabilities – current	6 (23)	56,169	-	84,425	1	136,295	1
2150	Notes payable		28,982	-	45,974	-	69,079	1
2170	Account payables		300,673	1	285,951	1	469,869	2
2180	Account payables - related parties	7	96	-	2,201	-	3,158	-
2200	Other payables		339,846	1	165,995	1	288,512	1
2220	Other payables - related parties	7	350,430	2	299,535	1	37,655	-
2280	Lease liabilities - current		9,232	-	9,118	-	3,278	-
2320	Long-term liabilities due within one year or one operating cycle	6 (17) and 8	925,000	4	1,525,000	7	725,000	3
2399	Other current liabilities - others		3,057	-	597	-	2,250	-
21XX	Total current liabilities		<u>2,464,133</u>	<u>10</u>	<u>3,020,748</u>	<u>14</u>	<u>2,122,054</u>	<u>10</u>
Non-current liabilities								
2540	Long-term borrowings	6 (17) and 8	3,020,000	13	2,385,000	11	1,925,000	9
2570	Deferred income tax liabilities	6 (29)	25,666	-	23,738	-	21,397	-
2580	Lease liabilities - non-current		54,192	-	62,119	-	-	-
2600	Other non-current liabilities	6 (18)	47,174	-	53,851	-	108,434	-
25XX	Total non-current liabilities		<u>3,147,032</u>	<u>13</u>	<u>2,524,708</u>	<u>11</u>	<u>2,054,831</u>	<u>9</u>
2XXX	Total liabilities		<u>5,611,165</u>	<u>23</u>	<u>5,545,456</u>	<u>25</u>	<u>4,176,885</u>	<u>19</u>
Equity								
	Share capital	6 (19)						
3110	Common stock		10,893,483	45	10,893,483	49	11,588,812	52
	Capital surplus	6 (20)						
3200	Capital surplus		6,720,506	28	6,714,779	31	6,830,667	30
	Retained earnings	6 (21)						
3310	Legal reserve		47,735	-	47,735	-	32,476	-
3320	Special reserve		255,790	1	255,790	1	118,457	1
3350	Retained Earnings (Accumulated Deficits)		664,857	3	(1,048,420)	(5)	155,280	1
	Other equity							
3400	Other equity	6 (22)	(102,468)	-	(322,586)	(1)	(613,816)	(3)
3XXX	Total equity		<u>18,479,903</u>	<u>77</u>	<u>16,540,781</u>	<u>75</u>	<u>18,111,876</u>	<u>81</u>
	Significant Contingent Liabilities and Unrecognized Contractual Commitments	6 (17), 7, and 9						
	Material Events After the Balance Sheet Date	6 (21) and 11						
3X2X	Total liabilities and equity		<u>\$ 24,091,068</u>	<u>100</u>	<u>\$ 22,086,237</u>	<u>100</u>	<u>\$ 22,288,761</u>	<u>100</u>

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

Chairman: Wong Ming-Sen

Manager: Sekiyama Takayuki

Accounting Supervisor: Lee Yung-Chih

CMC Magnetics Corporation
Parent Company Only Statements of Comprehensive Income
From January 1st to December 31st of 2023 and 2022

Unit: NT\$ thousands
(excluding earnings (loss) per share of NT\$)

Items	Notes	Fiscal year 2023		(Adjusted) Fiscal year 2022	
		Amount	%	Amount	%
4000 Operating revenue	6 (23) and 7	\$ 3,054,699	100	\$ 3,401,673	100
5000 Operating costs	6 (6)(28) and 7	(2,523,524)	(82)	(2,861,639)	(84)
5900 Gross operating profit		531,175	18	540,034	16
5910 Unrealized sales gains		(140,847)	(5)	(114,343)	(3)
5920 Realized sales gains		114,343	4	104,992	3
5950 Gross operating profit, net		504,671	17	530,683	16
Operating expenses	6 (28) and 7				
6100 Selling and marketing expenses		(212,360)	(7)	(218,435)	(6)
6200 Administrative expenses		(144,288)	(5)	(138,015)	(4)
6300 Research and development expenses		(258,248)	(8)	(310,500)	(9)
6450 Expected credit loss	12 (2)	(22,589)	(1)	(20,566)	(1)
6000 Total operating expenses		(637,485)	(21)	(687,516)	(20)
6900 Operating losses		(132,814)	(4)	(156,833)	(4)
Non-operating income and expenses					
7100 Interest revenue	6 (24)	5,850	-	1,623	-
7010 Other income	6 (3)(25) and 7	849,279	28	329,129	10
7020 Other gains and losses	6 (2)(26)	813,258	27	839,151	(25)
7050 Finance costs	6 (27)	(87,270)	(3)	(54,838)	(2)
7070 Share of profit (loss) on subsidiaries, associates, and joint ventures accounted for using equity method		318,552	10	(342,255)	(10)
7000 Total non-operating income and expenses		1,899,669	62	905,492	(27)
7900 Net income (loss) before tax		1,766,855	58	1,062,325	(31)
7950 Income tax expense	6 (29)	(16,617)	(1)	(15,352)	(1)
8200 Net profit (loss)		\$ 1,750,238	57	\$ 1,077,677	(32)
Other comprehensive income (net)					
Items that will not be reclassified to profit or loss					
8311 Remeasurement of defined benefit plans	6 (18)	(\$ 2,903)	-	\$ 22,170	1
8316 Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	6 (3)(22)	164,187	5	(6,258)	-
8330 Share of other comprehensive income on subsidiaries, associates, and joint ventures accounted for using the equity method – not reclassified to profit or loss		(9,095)	-	(12,563)	(1)
8349 Income tax related to items that will not be reclassified	6 (29)	580	-	(4,434)	-
8310 Sum of items that will not be reclassified to profit or loss		152,769	5	(1,085)	-
Items that may be reclassified subsequently to profit or loss					
8361 Exchange differences on translating the financial statements of foreign operations	6 (22)	29,960	1	317,645	10
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)	428	-	1,239	-
8360 Sum of items that may be reclassified subsequently to profit or loss		30,388	1	318,884	10
8300 Other comprehensive income (net)		\$ 183,157	6	\$ 317,799	10
8500 Total comprehensive income for current period		\$ 1,933,395	63	\$ 759,878	(22)
Earnings (Loss) Per Share	6(30)				
9750 Basic and diluted earnings (loss) per share		\$ 1.61		\$ 0.95	

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

Chairman: Wong Ming-Sen

Manager: Sekiyama Takayuki

Accounting Supervisor: Lee Yung-Chih

CMC Magnetics Corporation
Parent Company Only Statements of Changes in Equity
From January 1st to December 31st of 2023 and 2022

Unit: NT\$ thousands

	Notes	Retained earnings					Other equity		Total
		Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings (losses to be compensated)	Exchange differences on translating the financial statements of foreign operations	Unrealized gains or losses on financial assets at fair value through other comprehensive income	
<u>Fiscal year 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
The Impact of Retroactive Application and Retroactive Revision		-	-	-	-	2,688	-	-	2,688
Balance after restatement on January 1, 2022		<u>11,588,812</u>	<u>6,830,667</u>	<u>32,476</u>	<u>118,457</u>	<u>155,280</u>	<u>(432,137)</u>	<u>(181,679)</u>	<u>18,111,876</u>
Net loss		-	-	-	-	(1,077,677)	-	-	(1,077,677)
Other comprehensive income for current period	6 (22)	-	-	-	-	19,823	318,884	(20,908)	317,799
Total comprehensive income for current period		-	-	-	-	(1,057,854)	318,884	(20,908)	(759,878)
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)
Distribution of Capital Surplus in Cash	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		<u>\$ 10,893,483</u>	<u>\$ 6,714,779</u>	<u>\$ 47,735</u>	<u>\$ 255,790</u>	<u>(\$ 1,048,420)</u>	<u>(\$ 113,253)</u>	<u>(\$ 209,333)</u>	<u>\$ 16,540,781</u>
<u>Fiscal year 2023</u>									
Balance as of January 1, 2023		\$ 10,893,483	\$ 6,714,779	\$ 47,735	\$ 255,790	(\$ 1,048,420)	(\$ 113,253)	(\$ 209,333)	\$ 16,540,781
Net profit		-	-	-	-	1,750,238	-	-	1,750,238
Other comprehensive income for current period	6 (22)	-	-	-	-	(1,278)	30,388	154,047	183,157
Total comprehensive income for current period		-	-	-	-	1,748,960	30,388	154,047	1,933,395
Disposal of equity instruments measured at fair value through other comprehensive income	6 (3)(22)	-	-	-	-	(35,683)	-	35,683	-
Difference between the equity price of subsidiary actually acquired or disposed of and the book value	6 (20)	-	5,723	-	-	-	-	-	5,723
Changes in ownership interests in subsidiaries	6 (20)	-	4	-	-	-	-	-	4
Balance as of December 31, 2023		<u>\$ 10,893,483</u>	<u>\$ 6,720,506</u>	<u>\$ 47,735</u>	<u>\$ 255,790</u>	<u>\$ 664,857</u>	<u>(\$ 82,865)</u>	<u>(\$ 19,603)</u>	<u>\$ 18,479,903</u>

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

Chairman: Wong Ming-Sen

Manager: Sekiyama Takayuki

Accounting Supervisor: Lee Yung-Chih

CMC Magnetics Corporation
Parent Company Only Statements of Cash Flows
From January 1st to December 31st of 2023 and 2022

Unit: NT\$ thousands

	Notes	January 1 to December 31, 2023	January 1 to December 31, 2022
<u>Cash flows from operating activities</u>			
Net profit (loss) for this period		\$ 1,766,855	(\$ 1,062,325)
Adjustments			
Adjustments for			
Depreciation expenses	6 (8)(9)(28)	313,368	378,660
Amortization expenses	6 (28)	38,797	40,271
Depreciation expenses not for self-use (listed in other gains and losses)	6 (8)(9)(11)(26)	21,692	27,163
Expected credit loss	12 (2)	22,589	20,566
Net losses (gains) on financial assets and liabilities at fair value through profit and loss	6 (2)(16)(26)	(835,490)	820,768
Interest expenses	6 (27)	87,270	54,407
Interest revenue	6 (24)	(5,850)	(1,623)
Dividend income	6 (25)	(779,008)	(265,098)
Share of profit (loss) on subsidiaries, associates, and joint ventures accounted for using equity method		(318,552)	342,255
Gains on disposal of property, factories and equipment and other non-current assets	6 (26)	(654)	(386)
Gain on sublease of right-of-use assets	6 (10)(26)	-	(2,794)
Non-financial asset impairment losses	6 (8)(12)(26)	-	73,016
Inter-affiliate companies have realized benefits.		(114,343)	(104,992)
Unrealized gains (losses) between associates		140,847	114,343
Changes in assets/liabilities related to operating activities			
Net changes in operating assets			
Financial assets mandatorily at fair value through profit or loss		(1,389,462)	(770,207)
Notes receivable (including related and non-related parties)		95	1,837
Account receivable (including related and non-related parties)		253,421	(22,087)
Other receivables (including related and non-related parties)		(8,148)	72,986
Inventories		310,694	(177,787)
Other current assets		3,989	(26,679)
Net changes in operating liabilities			
Financial liabilities at fair value through profit or loss		(19,315)	(52,542)
Contract liabilities		(28,256)	(51,870)
Notes and account payable (including related and non-related parties)		(4,375)	(207,980)
Other payables (including related and non-related parties)		19,830	(105,924)
Other current liabilities		2,279	(1,653)
Net defined benefit liabilities		(9,638)	(11,882)
Cash outflow from operating activities		(531,365)	(919,557)
Interest received		5,829	1,593
Dividends received		778,768	265,208
Interest paid		(87,067)	(54,633)
Income tax paid		(391)	(84)
Net cash inflow (outflow) from operating activities		165,774	(707,473)

(Continued on the next page)

CMC Magnetics Corporation
Parent Company Only Statements of Cash Flows
From January 1st to December 31st of 2023 and 2022

Unit: NT\$ thousands

Notes	January 1, 2023 Till December 31	January 1, 2022 Till December 31
<u>Cash flows from investing activities</u>		
Decrease in receivable financing lease payments (listed under other current assets)	\$ 5,706	\$ 1,588
Price of acquisition of financial assets mandatorily at fair value through profit or loss 6 (2)	(51,000)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	325
Increase in financial assets at amortized cost	(7,711)	-
Proceeds from disposal of investments accounted for using the equity method	8,047	-
Price of acquisition of property, factories and equipment 6 (31)	-	(514)
Proceeds from disposal of property, factories and equipment and other non-current assets	8,502	1,210
Acquisition of intangible assets 6 (31)	(4,852)	(3,988)
Reduction in Deposited Security Deposit	1,500	74
Decrease in other non-current assets	2,334	283
Increase in prepayments for equipment (listed in other non-current assets) 6 (31)	(77,603)	(88,423)
Net cash outflow from investing activities	(115,077)	(89,445)
<u>Cash flows from financing activities</u>		
Increase (decrease) in short-term borrowings 6 (32)	(100,000)	213,042
Decrease in short-term notes payable 6 (32)	(50,000)	-
Increase in funds payable to related parties 7	52,019	248,870
Long-term borrowings taking place for current period 6 (32)	3,600,000	3,600,000
Repayment of long-term borrowings for current period 6 (32)	(3,565,000)	(2,340,000)
Repayment of principal of lease liabilities 6 (9)(32)	(10,409)	(10,365)
Increase in guarantee deposits received	237	(121)
Distribution of Capital Surplus in Cash 6 (21)	-	(115,888)
Cash Reduction 6 (19)	-	(695,329)
Net cash outflow from financing activities	(73,153)	900,209
Increase (decrease) in cash and cash equivalents for current period	(22,456)	103,291
Cash and cash equivalents, beginning of period	1,191,212	1,087,921
Cash and cash equivalents, end of period	\$ 1,168,756	\$ 1,191,212

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

Chairman: Wong Ming-Sen

Manager: Sekiyama Takayuki

Accounting Supervisor: Lee Yung-Chih

CMC Magnetics Corporation
Notes to Parent Company Only Financial Statements
Fiscal years 2023 and 2022

Unit: NT\$ thousands
(Unless Specified Otherwise)

1. Company History

CMC Magnetics Corporation (hereinafter referred to as 'the Company') was established in the Republic of China and is primarily engaged in the manufacturing and sales of consumer electronic products such as optical discs. The Company's stock has been listed on the Taiwan Stock Exchange since February 17, 1992.

2. Date and Procedure for Approval of Financial Statements

The parent company only financial statements were approved by the Board of Directors on March 14, 2024 for release.

3. Application of New and Amended Standards and Interpretations

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

The following table summarizes the new, revised, and amended standards and interpretations of IFRSs 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
Amendment to International Accounting Standard No. 12 'Deferred Income Taxes Related to Assets and Liabilities Arising from a Single Exchange'	January 1, 2023
Amendment to International Accounting Standard No. 12 'International Tax Reform - Pillar Two Model Rules'	May 23, 2023

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

Amendment to International Accounting Standard No. 12 'Deferred Income Taxes Related to Assets and Liabilities Arising from a Single Exchange'

This amendment requires companies to recognize deferred income tax assets and liabilities related to specific transactions that generate the same amount of taxable and deductible temporary differences as recognized at the initial recognition.

The subsidiary of our company recognizes deferred income tax assets and liabilities for all deductible and taxable temporary differences arising from the use of assets and lease liabilities and their corresponding recognition as of January 1, 2022. On December 31, 2023, December 31, 2022 and January 1, 2022, the company respectively increased the investment accounted for using the equity method by \$1,570, \$2,767, and \$2,688, and increased retained earnings by \$1,570, \$2,767, and \$2,688. In addition, in the 2023 and 2022, the company respectively adjusted (increased/decreased) the share of subsidiaries, associated enterprises, and joint venture income/loss accounted for using the equity method by (\$1,197) and \$79, which had no significant impact on earnings per share and losses.

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

The following table summarizes the new, revised, and amended standards and interpretations of IFRSs endorsed by the FSC that are applicable in 2024:

<u>New, Revised, and Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
Amendment to International Financial Reporting Standard No. 16: Lease Liabilities in Sale and Leaseback Transactions	January 1, 2024
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
Amendment to International Accounting Standard 7 and International Financial Reporting Standard 7 - 'Supplier Financing Arrangements'	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.

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 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17 "Insurance Contracts"	January 1, 2023
Amendment to International Financial Reporting Standard 17 'First-time Application of International Financial Reporting Standard 17 and International Financial Reporting Standard 9 - Comparative Information'	January 1, 2023
Amendment to International Accounting Standard No. 21 'Lack of Convertibility'	January 1, 2025

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 main accounting policies adopted in the preparation of this individual financial report are described as follows. Unless otherwise stated, these policies are consistently applied throughout the reporting period.

a. Statement of compliance

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

b. Basis of preparation

- 1) Except for the following significant items, the parent company only financial statements have been prepared on the historical cost basis:

- a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - b) Financial assets at fair value through other comprehensive income.
 - c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- 2) The preparation of financial statements has been in conformity with IFRSs endorsed by the FSC, requiring the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.
- c. Foreign currency translation

The items listed in our financial report are measured in the currency of the main economic environment in which we operate (i.e., functional currency). Our individual financial report is presented in our functional currency, the NT\$.

- 1) Foreign currency transactions and balances
- a) Foreign currency transactions are converted into the functional currency using the spot exchange rate on the transaction date or measurement date. Any exchange differences arising from these transactions are recognized in the current period's income statement.
 - b) Balances of monetary assets and liabilities denominated in foreign currencies are adjusted at the spot exchange rates prevailing at the balance sheet date. Exchange gains or losses arising from such adjustments are recognized in profit or loss
 - c) Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value through profit or loss, are translated at the exchange rates prevailing at the balance sheet date, where their translation differences are recognized in profit or loss as part of the fair value gain or loss. Non-monetary assets and liabilities denominated in foreign currencies measured at fair value through other comprehensive income are translated at the exchange rates prevailing at the balance sheet date, where their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the initial transaction dates.
 - d) All other foreign exchange gains or losses based on the nature of the transactions are presented in the statement of comprehensive income in the category of "other gains and losses."
- 2) Translation of foreign operations
- a) The operating results and financial positions of all the Company'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 a portion of a foreign operating entity is disposed of or sold and it is an affiliated enterprise, the exchange differences under other comprehensive income will be reclassified proportionally under current income as part of the gain or loss from the sale. However, if the Company still retains partial equity in the former affiliated enterprise but has lost significant influence over the foreign operating entity, the entire equity of the foreign operating entity will be treated as disposed of.
- 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 interests 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) The deadline for repayment cannot be unconditionally extended to at least twelve months after the balance sheet date. If the terms of the debt allow the counterparty to choose, the repayment can be made through the issuance of equity instruments without affecting 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 account date.
- 3) The Company's initial recognition is on a fair value basis, with relevant transaction costs recognized in profit or loss, and subsequently to fair value, and gains or losses are recognized in profit or loss.

- 4) When the right to receive dividends is established, the future economic benefits related to dividends may flow to the Company, and when the amount of dividends can be reliably measured, the Company recognizes dividend income in profit or loss.
- g. Financial assets at FVTOCI
- 1) Refers to the irrevocable election made at initial recognition that allows the Company to present fair value changes of equity investment not held for trading in other comprehensive income; or debt investment that meets all the criteria simultaneously:
 - a) The objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets.
 - b) The contract terms of the financial asset generate cash flow on a specific date, which is entirely the interest on the payment of the principal and the amount of principal outstanding.
 - 2) The Company's financial assets measured at FVTOCI in accordance with trading conventions, are accounted for on the trade date.
 - 3) At initial recognition, the Company measures the financial assets at fair value plus transaction costs, and subsequently measures the financial assets at fair value:
 - a) Fair value changes of equity instruments are recognized in other comprehensive income. Upon derecognition, the accumulated gains or losses previously recognized in other comprehensive income shall not be reclassified to profit or loss, but transferred to retained earnings. When the right to receive dividends is established, and it is probable that the economic benefits related to the dividends will flow in, and 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 objective of the Company's business model is achieved by collecting contractual cash flows.
 - b) The contract terms of the financial asset generate cash flow on a specific date, which is entirely the interest on the payment of the principal and the amount of principal outstanding.
 - 2) The Company accounts for financial assets measured at amortized cost, which are in line with trade practices on the trade day.
 - 3) At initial recognition, the Company measures the financial assets at fair value plus transaction costs, and subsequently adopts the effective interest method to recognize said assets as interest revenue and as impairment loss during the outstanding period according to the amortization procedure. During derecognition, the gains or losses are recognized in the profit or loss.
 - 4) The Company's time deposits which do not meet the condition of cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

i. Accounts receivable and notes receivable

- 1) Account 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 account 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 account receivable that are expected to be factored is for the purpose of selling, and the account 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 account 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 account 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 of the Lessor - Accounts Receivable from Leases/Operating Leases

- 1) According to the conditions of the lease agreement, when almost all risks and rewards of ownership are assumed by the lessee, it is classified as a finance lease.
 - a) At the commencement of the lease, the total lease investment amount (including the original direct costs) is recognized as 'accounts receivable from leases', and the difference between the total accounts receivable from leases and the present value is recognized as 'unearned financing income from finance leases'.
 - b) Subsequently, the financing income will be allocated over the lease term on a systematic and reasonable basis to reflect the lessor's fixed rate of return on net investment in the lease.
 - c) Lease payments related to the period (excluding service costs) are deducted from the total lease investment to reduce principal and unearned financing income.
- 2) Rental income from operating leases, net of any incentives provided to lessees, is recognized as current period profit or loss on a straight-line basis over the lease term.

m. Inventories

Inventory is measured at the lower of cost and net realizable value, with cost calculated using the weighted average method. The cost of finished goods and work in progress includes raw materials, direct labor, other direct costs, and production-related manufacturing expenses

(allocated based on normal production capacity), but does not include borrowing costs. When comparing cost and net realizable value, the item-by-item comparison method is used, where net realizable value refers to the estimated selling price during normal business operations minus the estimated costs still to be incurred to complete the product and the estimated costs required to sell the product.

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) The unrealized gains and losses arising from transactions between the Company and its subsidiaries have been eliminated. The accounting policies of the subsidiaries have been adjusted as necessary to align with the policies adopted by the Company.
- 3) The Company recognizes the profit or loss attributable to the subsidiary as current profit or loss, and recognizes the other comprehensive income attributable to the subsidiary as other comprehensive income. If the Company's recognized loss attributable to the subsidiary equals or exceeds the equity in the subsidiary, the Company continues to recognize the loss based on its ownership percentage.
- 4) If changes in the shareholding of a subsidiary do not result in loss of control (and are not transactions involving non-controlling interests), they are treated as equity transactions, meaning they are considered transactions between the owners. The difference between the adjustment amount of non-controlling interests and the fair value of the consideration paid or received is directly recognized as equity.
- 5) When the Company loses control over a subsidiary, the remaining investment in the former subsidiary is remeasured at fair value and recognized as the fair value of the original recognized financial asset or the cost of the original recognized investment in an associated enterprise or joint venture. The difference between fair value and carrying amount is recognized in the current period's income. For all amounts previously recognized in other comprehensive income related to the subsidiary, the accounting treatment is the same as when the Company directly disposes of the related assets or liabilities, i.e., if the previously recognized benefit or loss was recognized in other comprehensive income, it will be reclassified to income when disposing of the related assets or liabilities. Therefore, when control over a subsidiary is lost, the benefit or loss will be reclassified from equity to income.
- 6) Associated companies refer to entities that have a significant influence on the Company without control, usually through direct or indirect ownership of more than 20% of the voting rights. The Company accounts for investments in associated companies using the equity method, recognizing them at cost upon acquisition.
- 7) The Company recognizes the profit or loss share of the affiliated enterprises acquired as current profit or loss, and the other comprehensive income share acquired as other comprehensive income. If the Company's loss share in any affiliated enterprise equals or exceeds its equity in that affiliated enterprise (including any other unsecured receivables), the Company does not recognize any further losses, unless the Company has incurred legal obligations, presumed obligations, or has made payments on behalf of the affiliated enterprise.
- 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) The unrealized gains and losses arising from transactions between the Company and its affiliated enterprises have been eliminated in proportion to their equity interests in the affiliated enterprises. Unrealized losses are also eliminated unless evidence indicates impairment of the assets transferred in the transactions. The accounting policies of the affiliated enterprises have been adjusted as necessary and are consistent with those adopted by the Company.
 - 10) When an associated company issues new shares, if our company does not subscribe or acquire them in proportion, resulting in a significant impact on our investment ratio, the adjustment to the net equity of the shares is made in the 'capital surplus' and 'investment accounted for using the equity method'. If the decrease in the investment ratio leads to a decrease in the ownership equity related to previously recognized gains or losses in other comprehensive income, and those gains or losses need to be reclassified to income when disposing of related assets or liabilities, they should be reclassified to income based on the decrease in the ratio.
 - 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 of an associated enterprise and loses significant influence over it, the accounting treatment for all amounts previously recognized in other comprehensive income related to that associated enterprise will be the same as if the company were directly disposing of the related assets or liabilities. In other words, if profits or losses previously recognized in other comprehensive income are reclassified as gains or losses upon disposal of related assets or liabilities, then when significant influence over the associated enterprise is lost, those profits or losses will be reclassified from equity to income. If the company still has significant influence over the associated enterprise, the amounts previously recognized in other comprehensive income will only be proportionately transferred out according to the above method.
 - 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, factories, and equipment are initially recognized in cost. Borrowing costs incurred during the construction period are capitalized.
 - 2) Subsequent costs are only included in the book value of assets or recognized as separate assets when they are likely to flow into the company in relation to the project's future economic benefits and when the costs of the project can be reliably measured. The book value of the reset portion should be excluded. All other maintenance expenses are recognized as current expenses when incurred.

- 3) Real estate, factory buildings, and equipment are measured using the cost model. Depreciation is not recorded for land, but is calculated using the straight-line method based on the estimated useful life for other assets. If the components of real estate, factory buildings, and equipment are significant, depreciation is recorded separately.
- 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:

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

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

- 1) Leased assets are recognized as right-of-use assets and lease liabilities on the date they are available for use by the Company. When a lease contract is classified as a short-term lease or involves assets with low value, lease payments are recognized as expenses over the lease term using the straight-line method.
- 2) Lease liabilities are recognized on the lease commencement date at the present value of lease payments not yet paid, discounted at the incremental borrowing rate of the Company. Lease payments are fixed payments, excluding any lease incentives receivable. Subsequently, the interest method is used to measure the lease liabilities at amortized cost. Interest expense is recognized over the lease term. When changes in lease term or lease payments are not due to contract modifications, the lease liabilities are reassessed, and the right-of-use assets are adjusted for the re-measurement amount.
- 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.

Any depreciation expense shall be recognized when the useful life of the right-of-use asset or the lease term expires, whichever is earlier, based on the subsequent cost model. Any re-measurement amount of the lease liability shall adjust the right-of-use asset upon revaluation of the lease liability.

q. Investment property

Investment properties are recognized at cost and subsequently measured using the cost model. Depreciation is provided on a straight-line basis over the estimated useful lives, ranging from 2 to 50 years, for all investment properties except land.

r. Intangible assets

1) Trademark and Patent Rights

The cost of separately acquired trademarks and patents is recognized as an acquisition cost. The trademarks and patents acquired through business mergers are recognized at their fair value on the acquisition date. Trademarks and patents are finite-lived assets and are amortized over the remaining useful life of 4 to 10 years using the straight-line method.

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

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

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) On the balance sheet date, the Company estimates the recoverable amount of assets with impairment indicators. When the recoverable amount is lower than the carrying value, an impairment loss is recognized. The recoverable amount refers to the higher of the fair value less disposal costs or the value in use of an asset. Except for goodwill, when the circumstances that led to the recognition of asset impairment in previous years no longer exist or have decreased, the impairment loss is reversed. However, the increase in the carrying amount of the asset resulting from the reversal of the impairment loss does not exceed the asset's carrying amount after deducting depreciation or amortization if no impairment loss had been recognized.

2) Goodwill, indefinite useful life intangible assets, and intangible assets not yet available for use should be periodically assessed for their recoverable amounts. When the recoverable amount is lower than their carrying value, impairment losses are recognized. Impairment losses on goodwill are not reversed in subsequent years.

3) For impairment testing purposes, goodwill is allocated to cash-generating units. This allocation is based on the identification by operating segments, distributing goodwill to cash-generating units or groups of cash-generating units expected to benefit from the entity generating the goodwill.

u. Borrowings

1) 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) Account 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 Account 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 plans

For the determination of the allocation plan, the amount of retirement funds to be allocated shall be recognized as the current retirement cost based on the occurrence of rights and responsibilities. Prepaid contributions shall be recognized as assets within the scope of refundable cash or reduction of future benefits.

b) Defined benefit plans

i. Under the defined benefit plan, the net obligation is determined by discounting the future welfare amount earned by employees in the current or past service, and subtracting the fair value of plan assets as of the balance sheet date from the present value of the defined benefit obligation. The net obligation under the defined benefit plan is calculated annually using the projected unit credit method by an actuary, and the discount rate is determined by referencing the market yield of high-quality corporate bonds that have the same currency and term as the balance sheet date and the defined benefit plan; in countries where there is no deep market for high-quality corporate bonds, the market yield of government bonds (as of the balance sheet date) is used.

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

The termination benefits are provided to employees upon the termination of their employment before the normal retirement date or when employees decide to accept the company's offer of benefits in exchange for termination of employment. The Company recognizes the expense when the offer of termination benefits is no longer revocable or when the related restructuring costs are recognized, whichever occurs earlier. Benefits that are expected to be settled within 12 months after the balance sheet date should be discounted.

4) Remuneration of employees and directors

Employee compensation and director remuneration are recognized as expenses and liabilities when they are legally or presumptively required and the amounts can be reasonably estimated. Subsequent adjustments are made based on accounting estimates if there are differences between the actual distribution amounts and the estimated amounts. In the case of stock-based employee compensation, the number of shares is calculated based on the closing price of the day before the Board of Directors' resolution.

aa. Income tax

- 1) Income tax expense includes both current and deferred income taxes. Except for income taxes related to items included in other comprehensive income or directly included in equity, income taxes are recognized in profit or loss.
- 2) The Company calculates the current income tax based on the tax rates legislated or substantially legislated by the countries where the Company operates and generates taxable income as of the balance sheet date. The management evaluates the status of income tax filing in accordance with the applicable income tax regulations and, when applicable, estimates the income tax liability by recording the expected tax payments to the tax authorities. The income tax on undistributed earnings, as imposed by the income tax law, is recognized as income tax expense in the year following the year in which the surplus is generated, after the surplus distribution is approved by the shareholders' meeting, reflecting the actual distribution of the surplus.
- 3) Deferred income taxes are recognized using the balance sheet method, based on the tax basis of assets and liabilities and the temporary differences that arise from their book amounts in the individual balance sheet. Deferred income tax liabilities arising from the initial recognition of goodwill are not recognized. If the deferred income tax arises from transactions (excluding individual enterprises) and does not affect accounting profit or taxable income (tax loss) at the time of the transaction, it is not recognized. Temporary differences arising from investments in subsidiaries and associated companies can be controlled as to when they are reversed, and temporary differences that are unlikely to be reversed in the foreseeable future are not recognized. The deferred income tax is based on legislation or substantial legislation in effect on the balance sheet date, and the applicable tax rate (and tax law) expected to be applied when the related deferred income tax assets are realized or the deferred income tax liabilities are 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

Common stock is classified as equity. The net amount directly attributable to the issuance of new shares or stock options, after deducting income taxes, is recognized in equity as a deduction from the purchase price.

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 primarily manufactures and sells consumer electronics products such as optical discs. Revenue from sales is recognized when control of the products is transferred to the customers, which occurs upon delivery. The customers have discretion over the distribution channels and pricing of the products, and the Company has no remaining performance obligations that could affect customer acceptance of the products. The risks of obsolescence and loss are transferred to the customers when the products are shipped to the designated locations, and the customers accept the products based on the sales contracts or when there is objective evidence that all acceptance criteria have been met. The point of delivery occurs when these conditions are satisfied.
- 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) Account 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 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 Company's accounting policies

N/A.

b. Critical accounting estimates and assumptions

1) Evaluation of impairment of property, factories 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, 2023, the book value of the company's real estate, factory buildings, and equipment is \$3,178,005.

2) Inventory valuation

- a) Due to the requirement of valuing inventory at the lower of cost or net realizable value, our company must exercise judgment and estimation to determine the net realizable value of inventory on the balance sheet date. Given the rapid technological changes, we assess the amount of inventory on the balance sheet date that is subject to normal wear and tear, obsolescence, or lack of market sales value, and reduce the inventory cost to the net realizable value. This inventory valuation is primarily influenced by fluctuations in raw material and product market prices, which may result in significant changes.
- b) As of December 31, 2023, the carrying amount of the Company's inventory valuation was NT\$1,029,996.

6. Description of Significant Accounting Titles

a. Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and petty cash	\$ 186	\$ 271
Checks and demand deposits	1,122,556	1,160,941
Time deposit	46,014	30,000
	<u>\$ 1,168,756</u>	<u>\$ 1,191,212</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 cash provided for loans and cash equivalents as financial assets measured at amortized cost - current and non-current, please refer to Note 8 for details.

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

Items	December 31, 2023	December 31, 2022
Current items:		
Financial assets mandatorily at fair value through profit or loss		
Listed stocks	\$ 5,364,716	\$ 4,240,912
Beneficiary certificates	50,000	-
Derivative instruments	4,923	-
	5,419,639	4,240,912
Adjustment to valuation	285,016	(531,183)
	\$ 5,704,655	\$ 3,709,729
Non-current items:		
Financial assets mandatorily at fair value through profit or loss		
Listed stocks	\$ 2,252,030	\$ 2,107,000
Unlisted stocks and OTC companies	51,000	-
	2,303,030	2,107,000
Adjustment to valuation	170,894	(77,991)
	\$ 2,473,924	\$ 2,029,009

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

	Fiscal year 2023	Fiscal year 2022
Financial assets mandatorily at fair value through profit or loss		
Equity instruments	\$ 1,610,256	(\$ 511,293)
Derivative instruments	17,015	6,213
	\$ 1,627,271	(\$ 505,080)

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

	December 31, 2023	
Derivative financial assets	Contract amount (notional principal)	Contract period
Current items:		
Foreign Exchange Swap Agreement	US\$1,600 thousand	2023.10.27~2024.01.24
"	US\$1,700 thousand	2023.10.27~2024.01.24

December 31, 2022: None.

Foreign Exchange Swap Agreement

The foreign exchange transactions entered into by the company are exchange transactions between two currencies, aimed at efficiently managing the time differences in different currency requirements, and reducing exchange rate and interest rate risks. However, they are not applicable to hedge accounting.

- 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 FVTOCI

Items	December 31, 2023	December 31, 2022
Non-current items:		
Equity instruments		
Non-listed stocks (OTC), emerging stock market	\$ 5,880	\$ 5,880
Adjustment to valuation	211,550	47,363
	\$ 217,430	\$ 53,243

- 1) The Company has elected to classify equity instrument investments that are strategic investments as financial assets at FVTOCI. The fair values of these investments as of December 31, 2023 and 2022 were NT\$217,430 and NT\$53,243, respectively.
- 2) The breakdown of financial assets at FVTOCI recognized in profit or loss and comprehensive income is as follows:

<u>Equity instruments at FVTOCI</u>	Fiscal year 2023	Fiscal year 2022
Changes in fair value recognized in other comprehensive income	\$ 164,187	(\$ 6,258)
Accumulated Loss (Profit) Excluding Transfer to Retained Earnings	\$ -	(\$ 6,746)
Dividend income recognized in profit or loss	\$ 7,846	\$ -

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

d. Notes and Account receivable

	December 31, 2023	December 31, 2022
Notes receivable	\$ 138	\$ 233
Less: Allowance for loss	(2)	(3)
	\$ 136	\$ 230
Accounts receivable	\$ 248,644	\$ 418,372
Less: Allowance for loss	(46,126)	(22,081)
	\$ 202,518	\$ 396,291

1) The aging analysis of accounts receivable and notes is as follows:

	December 31, 2023		December 31, 2022	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 151,396	\$ 138	\$ 226,459	\$ 233
Overdue for less than 30 days	16,549	-	37,533	-
Overdue for 31–60 days	14,889	-	28,598	-
Overdue for 61–90 days	8,702	-	23,387	-
Overdue for 91–180 days	9,823	-	69,128	-
Overdue for more than 181 days	47,285	-	33,267	-
	<u>\$ 248,644</u>	<u>\$ 138</u>	<u>\$ 418,372</u>	<u>\$ 233</u>

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

- 2) The accounts receivable and notes receivable balances as of December 31, 2023 and 2022 were generated from customer contracts. Additionally, as of January 1, 2022, the notes receivable and accounts receivable balances and the allowance for doubtful accounts related to customer contracts were \$526,844 and \$63,624, respectively.
 - 3) As of December 31, 2023 and 2022, regardless of the collateral held and other credit enhancements, the maximum amount of the exposure to the credit risk arising from the Company's notes and account receivable is the carrying amount.
 - 4) The Company did not pledge notes and account receivable as collateral.
 - 5) Please refer to Note 12 (2) for details of the information on the credit risk of account and notes receivable.
- e. Financial asset transfer

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

Unit: NT\$ thousands

December 31, 2023					
Factor	Amount of account receivable in factoring	Amount derecognized	Amount of advance received	Amount of remaining advance available	Interest rate range of advance
Taipei Fubon Bank	USD 336	USD 336	USD-	USD 302	-

Unit: NT\$ thousands

December 31, 2022					
Factor	Amount of account 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 765	-

As of December 31, 2023 and 2022, the Company's retained amount in the account receivable transferred through factoring was NT\$10,330 and NT\$26,122, respectively, which have been reclassified to other receivables.

f. Inventories

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Raw materials	\$ 374,286	\$ 369,499
Work-in-progress	144	489
Finished goods	217,079	512,396
Merchandise inventory	438,487	456,105
Inventory in transit	-	2,201
	<u>\$ 1,029,996</u>	<u>\$ 1,340,690</u>

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

	<u>Fiscal year 2023</u>	<u>Fiscal year 2022</u>
Cost of inventories sold	\$ 2,455,789	\$ 2,785,415
Unamortized fixed production overheads	36,414	22,208
Price Decline Loss	26,637	51,078
Others	4,684	2,938
	<u>\$ 2,523,524</u>	<u>\$ 2,861,639</u>

g. Investments accounted for using the equity method

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
CHC International Investment Corporation (CHC)	\$ 3,662,453	\$ 3,037,693
CMC Movie Corporation (CMC Movie) (Note 1)	-	119,790
CMC Entertainment Holding Corporation (CMC Entertainment)	165,986	58,664
Sun Well Solar Corporation (Sun Well Solar)	-	21,701
Transtouch Technology Inc. (Transtouch)	335,612	340,853
CMC Entertainment Hub Corporation (CMC Entertainment Hub)	36,891	54,370
EMC Investment Holding Ltd. (EMC H)	3,239,402	3,478,289
CIA Holding Corp.(CIA)	433,227	446,440
Deltamac (Taiwan) Co., Ltd. (Deltamac (Taiwan))	157,811	163,365
	<u>\$ 8,031,382</u>	<u>\$ 7,721,165</u>

Notes 1: Merged with CMC Entertainment in October 2023.

Notes 2: The liquidation was completed in December 2023.

For information about the Company's subsidiaries, please refer to Note 4 (3) of the Company's consolidated financial statements for the 2023.

h. Property, factories and equipment

	2023				
	Land	Buildings and structures	Machinery and equipment	Others	Total
January 1					
Cost	\$ 1,927,785	\$ 1,951,646	\$ 10,395,580	\$ 13,376	\$ 14,288,387
Accumulated depreciation and impairment	-	(985,940)	(9,866,787)	(7,829)	(10,860,556)
	<u>\$ 1,927,785</u>	<u>\$ 965,706</u>	<u>\$ 528,793</u>	<u>\$ 5,547</u>	<u>\$ 3,427,831</u>
January 1	\$ 1,927,785	\$ 965,706	\$ 528,793	\$ 5,547	\$ 3,427,831
Disposal	-	-	(8,165)	-	(8,165)
Reclassification (Note)	-	8,985	52,994	4,570	66,549
Depreciation expenses	-	(48,477)	(255,203)	(4,530)	(308,210)
December 31	<u>\$ 1,927,785</u>	<u>\$ 926,214</u>	<u>\$ 318,419</u>	<u>\$ 5,587</u>	<u>\$ 3,178,005</u>
December 31					
Cost	\$ 1,927,785	\$ 1,948,415	\$ 9,840,854	\$ 14,289	\$ 13,731,343
Accumulated depreciation and impairment	-	(1,022,201)	(9,522,435)	(8,702)	(10,553,338)
	<u>\$ 1,927,785</u>	<u>\$ 926,214</u>	<u>\$ 318,419</u>	<u>\$ 5,587</u>	<u>\$ 3,178,005</u>

2022

	Machinery and equipment						
	Land	Buildings and structures	For self-use	For leasing	Subtotal	Others	Total
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)	-	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>

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

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

	Fiscal year 2023	Fiscal year 2022
Capitalized amount	\$ 184	\$ 165
Range of capitalized interest rate	2.08%	1.25%

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

i. Lease transaction - the lessee

- 1) The assets leased by our company include land and buildings, with lease contracts typically ranging from 1 to 9 years. The lease contracts are individually negotiated and include various terms and conditions. There are no additional restrictions imposed, except that the leased assets cannot be used as collateral for borrowing.
- 2) The lease term of part of the land and buildings leased by the Company does not exceed 12 months, and the low-value assets leased are mostly multi-function printers, so they are not included in the right-of-use assets.
- 3) The carrying amount of right-of-use assets and depreciation expenses recognized are shown as follows:

	December 31, 2023	December 31, 2022
	Carrying amount	Carrying amount
Land	\$ 1,298	\$ 1,292
Property	18,614	21,182
	<u>\$ 19,912</u>	<u>\$ 22,474</u>

	Fiscal year 2023			Fiscal year 2022		
	Depreciation expenses			Depreciation expenses		
	For self-use	For leasing	Total	For self-use	For leasing	Total
Land	\$ 2,590	\$ -	\$ 2,590	\$ 2,589	\$ -	\$ 2,589
Property	2,568	-	2,568	1,926	4,867	6,793
	<u>\$ 5,158</u>	<u>\$ -</u>	<u>\$ 5,158</u>	<u>\$ 4,515</u>	<u>\$ 4,867</u>	<u>\$ 9,382</u>

- 4) In the fiscal year 2023 and 2022, the company's additions to the right-of-use assets were NT\$2,596 and NT\$78,324, respectively.

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

	Fiscal year 2023	Fiscal year 2022
<u>Items that affect profit or loss</u>		
Interest expenses on lease liabilities	\$ 902	\$ 746
Short-term lease expenses	2,365	2,241
Revenue from sublease of right-of-use assets	664	7,648

- 6) The total cash outflows for lease payments in the fiscal year 2023 and 2022 of our company were NT\$13,676 and NT\$13,352, respectively.

j. Lease transactions - lessor

- 1) The underlying assets leased out by the Company include buildings. The lease term contracted is usually for a period of 8 to 9 years. The lease contracts are negotiated individually and contain various terms and conditions.
- 2) In the fiscal years 2023 and 2022, our company leased houses through financing leases, in accordance with the terms of the lease agreement, covering the major portion of the economic useful life of the leased assets. The information on profit and loss items related to the lease agreement is as follows:

	Fiscal year 2023	Fiscal year 2022
Benefit from Subleasing Right-of-Use Assets (Included in Other Income and Loss)	\$ -	\$ 2,794
Financing Income from Net Lease Investment (Interest Income)	642	172

- 3) The analysis of the maturity dates of the undiscounted lease payments for the financing leases rented by the Company is as follows:

	December 31, 2023	December 31, 2022
Not exceeding 1 year	\$ 6,348	\$ 6,348
More than 1 year, but less than 5 years	26,582	26,162
More than 5 years	14,664	21,432
	\$ 47,594	\$ 53,942

- 4) The adjustment information for the undiscounted lease payments and net lease investments (listed under other current and non-current assets) from the financing lease rentals of the Company is as follows:

	December 31, 2023		December 31, 2022	
	Current	Non-current	Current	Non-current
Unpresented lease payments	\$ 6,348	\$ 41,246	\$ 6,348	\$ 47,594
No financing income earned	(565)	(1,649)	(642)	(2,214)
Net Lease Investment	<u>\$ 5,783</u>	<u>\$ 39,597</u>	<u>\$ 5,706</u>	<u>\$ 45,380</u>

- 5) In the fiscal years 2023 and 2022, the company recognized rental income of NT\$51,600 and NT\$56,195, respectively, based on operating lease contracts, with no corresponding lease payments.
- 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, 2023	December 31, 2022
Not exceeding 1 year	\$ 50,229	\$ 32,915
More than 1 year, but less than 5 years	110,779	102,788
More than 5 years	-	12,259
	<u>\$ 161,008</u>	<u>\$ 147,962</u>

k. Investment property

	2023		
	Land	Buildings and structures	Total
January 1			
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>
January 1	\$ 63,362	\$ 553,471	\$ 616,833
Reclassification (Note)	-	211	211
Depreciation expenses	-	(21,692)	(21,692)
December 31	<u>\$ 63,362</u>	<u>\$ 531,990</u>	<u>\$ 595,352</u>
December 31			
Cost	\$ 63,362	\$ 1,243,823	\$ 1,307,185
Accumulated depreciation and impairment	-	(711,833)	(711,833)
	<u>\$ 63,362</u>	<u>\$ 531,990</u>	<u>\$ 595,352</u>

2022

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

Note: Property, factories and equipment and prepayments for equipment (listed in other non-current assets)

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

	Fiscal year 2023	Fiscal year 2022
Rental revenue of investment property	<u>\$ 48,425</u>	<u>\$ 48,416</u>
Direct operating expenses incurred by investment property generating rental revenue in the current period	<u>\$ 17,129</u>	<u>\$ 15,100</u>
Direct operating expenses incurred by investment property not generating rent revenue in current period	<u>\$ 9,420</u>	<u>\$ 9,887</u>

2) The fair values of the investment properties held by the Company as of December 31, 2023 and 2022 were NT\$4,458,110 and NT\$4,446,449, respectively, based on the evaluation results using the nearby comparable transaction prices.

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

1. Impairment of non-financial assets

1) The impairment losses recognized by the Company in the 2023 and 2022 fiscal years

amounted to NT\$0 and NT\$73,016, respectively. The details are as follows:

	Fiscal year 2023		Fiscal year 2022	
	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	\$ -	\$ -	\$ 73,016	\$ -

- 2) The Company adopted the value in use and the net disposal value of existing assets as the recoverable amount in the impairment test on December 31, 2023 and 2022. The discount rate used to estimate the value in use is as follows:

	December 31, 2023	December 31, 2022
Machinery and equipment	7.60%	6.57%

- 3) Accumulated write-off of impairments

	Fiscal year 2023	Fiscal year 2022
Machinery and equipment	\$ 83,718	\$ 1,663

When the Company disposed of machinery and equipment in 2023 and 2022, the relevant accumulated impairments were also written off in order to calculate the gains or losses on the disposal.

m. Other non-current assets

	December 31, 2023	December 31, 2022
Prepayments for equipment	\$ 23,954	\$ 6,432
Refundable deposits	3,397	4,897
Net finance lease receivable	39,597	45,380
Overdue receivables	108,200	139,437
Less: Allowance for loss	(108,200)	(139,437)
Other non-current assets - others	406,604	415,428
	\$ 473,552	\$ 472,137

n. Short-term borrowings

Nature of borrowings	December 31, 2023	December 31, 2022
Borrowings from financial Institutions		
Credit borrowings	\$ 450,000	\$ 550,000
Interest rate range	2.10~2.27%	2.03~2.09%

The short-term loan limits for the Republic of China on December 31, 2023 and 2022 have been respectively issued promissory notes in the amounts of NT\$2,069,935 and NT\$1,820,075 as collateral.

o. Short-term Notes Payable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts Payable Commercial Draft	<u>\$ -</u>	<u>\$ 50,000</u>
Interest Rate	-	2.20%

The above-mentioned short-term commercial papers are guaranteed and accepted by financial institutions such as banks and ticket companies.

p. Financial liabilities at fair value through profit or loss

<u>Items</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current items:		
Financial liabilities held for trade		
Non-hedging derivative financial instruments		
-Derivative instruments	<u>\$ 648</u>	<u>\$ 1,952</u>

- 1) The net losses recognized for the financial liabilities held for trading by the Company in the fiscal years 2023 and 2022 were NT\$20,619 and NT\$50,590, 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, 2023</u>	
	<u>Contract amount (notional principal)</u>	<u>Contract period</u>
Current items:		
Forward exchange agreements	RMB 7,220 thousand	2023.11.08~2024.02.23
"	RMB 7,057 thousand	2023.12.29~2024.03.28

Derivative financial liabilities	December 31, 2022	
	Contract amount (notional principal)	Contract period
Current items:		
Forward exchange agreements	JPY 100,000 thousand	2022.12.01~2023.03.31
"	RMB 6,997 thousand	2022.12.01~2023.03.31
"	RMB 7,189 thousand	2022.11.04~2023.05.08
"	RMB 7,094 thousand	2022.11.11~2023.05.15
"	RMB 7,018 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 Swap Agreement	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

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 Swap Agreement

The foreign exchange transactions entered into by the company are exchange transactions between two currencies, aimed at efficiently managing the time differences in different currency requirements, and reducing exchange rate and interest rate risks. However, they are not applicable to hedge accounting.

q. Long-term borrowings

	December 31, 2023	December 31, 2022
Borrowings from financial Institutions		
Secured borrowings	\$ 2,515,000	\$ 3,305,000
Credit borrowings	1,150,000	325,000
Long-term notes	280,000	280,000
	3,945,000	3,910,000
Less: Long-term loans due within one year	(925,000)	(1,525,000)
	\$ 3,020,000	\$ 2,385,000
Interest rate range	1.995~2.27%	1.87~2.5%

- 1) The Company signed a new financing commitment contract with O-Bank Co., Ltd. in June 2022. In 24 months from the date of the 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% (inclusive); the net value of tangible assets shall not be lower than NT\$12 billion; the interest coverage ratio (including depreciation and amortization expenses) shall not be less than 250%.

The outstanding balance of the Company's borrowings as of December 31, 2023 and 2022 were both NT\$300,000.

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. In addition, on July 11, 2023, the Company obtained a notification document from the bank agreeing to the waiver.

- 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. Subsequently, The Company signed a new financing commitment contract with Taipei Fubon Bank in March 2023. In 36 months from the date of the first drawdown, the total amount of borrowing is NT\$1.5 billion. The Company's main commitments are as follows:

During the contract period, the following financial ratios should be maintained and the consolidated financial statements should be reviewed quarterly: the current ratio should be maintained at 100% or above (inclusive); the debt ratio should not exceed 90% (inclusive); the tangible net worth should not be less than NT\$12 billion; the sum of cash, financial assets measured at fair value through profit or loss (current), and financial assets measured at amortized cost (current) minus financial liabilities should not be less than NT\$2 billion (restricted financial assets or current assets should be deducted from the aforementioned items).

The outstanding balance of the Company's borrowings as of December 31, 2023 and December 31, 2022 were NT\$800,000 and NT\$920,000, respectively.

- 3) The remaining loans will be repaid in installments until the end of 2026.
- 4) Please refer to Note 8 for details of the guarantees for long-term borrowings.

r. Pension

- 1) a) The Company has established a retirement scheme with definite benefits in accordance with the provisions of the Labor Standards Act. This scheme applies to the years of service of all regular employees prior to the implementation of the Labor Retirement Pension Regulations on July 1, 2005, as well as the subsequent years of service of employees who choose to continue to be governed by the Labor Standards Act after the implementation of the Labor Retirement Pension Regulations. For employees who meet the retirement conditions, the payment of retirement benefits is calculated based on years of service and the average salary of the six months prior to retirement. For years of service within 15 years (inclusive), two units are given for each full year, and for years of service exceeding 15 years, one unit is given for each full year, with a maximum accumulation of 45 units. The Company sets aside 2% of the total salary amount each month as a retirement fund, which is stored in a special account in the name of the Labor Retirement Reserve Supervisory Committee at the Bank of Taiwan. In addition, before the end of each fiscal year, the Company

estimates the balance of the aforementioned labor retirement reserve account. If the balance is insufficient to pay the estimated retirement benefits for employees who are expected to meet the retirement conditions in the next fiscal year based on the aforementioned calculation, the Company will make a one-time allocation of the difference by the end of March of the following year.

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligations	\$ 176,467	\$ 192,517
Fair value of plan assets	<u>(135,636)</u>	<u>(144,951)</u>
Net defined benefit liabilities (listed in other non-current liabilities)	<u>\$ 40,831</u>	<u>\$ 47,566</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liabilities</u>
2023			
Balance at January 1	\$ 192,517	(\$ 144,951)	\$ 47,566
Service cost for the current period	354	-	354
Interest expense (revenue)	<u>2,311</u>	<u>(1,741)</u>	<u>570</u>
	<u>195,182</u>	<u>(146,692)</u>	<u>48,490</u>
Re-measurements:			
Return on plan assets (not including interest revenue or expenses)	-	(1,300)	(1,300)
Experience adjustments	<u>4,203</u>	<u>-</u>	<u>4,203</u>
	<u>4,203</u>	<u>(1,300)</u>	<u>2,903</u>
Pension contributed	-	(10,562)	(10,562)
Pension paid	<u>(22,918)</u>	<u>22,918</u>	<u>-</u>
Balance at December 31	<u>\$ 176,467</u>	<u>(\$ 135,636)</u>	<u>\$ 40,831</u>

	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)	1,496	(925)	571
	<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	(5,532)	-	(5,532)
	<u>(12,318)</u>	<u>(9,852)</u>	<u>(22,170)</u>
Pension contributed	-	(12,875)	(12,875)
Pension paid	(10,838)	10,838	-
Balance at December 31	<u>\$ 192,517</u>	<u>(\$ 144,951)</u>	<u>\$ 47,566</u>

- d) The Company's defined welfare retirement plan fund assets are entrusted for operation by the Bank of Taiwan in accordance with the investment and utilization plan of the fund for the year, within the prescribed ratios and amounts. The entrusted operation is carried out in accordance with Article 6 of the Regulations for the Receipt, Custody, and Utilization of Labor Retirement Funds (i.e. depositing funds in domestic and foreign financial institutions, investing in listed, over-the-counter, or private equity securities, and investing in securitized products of domestic and foreign real estate), and the related utilization is supervised by the Labor Retirement Fund Supervisory Commission. The minimum annual distribution of the fund's utilization shall not be lower than the yield calculated based on the local bank's two-year fixed deposit interest rate. If there is any shortfall, it shall be supplemented by the national treasury after approval by the competent authority. As the company has no authority to participate in the operation and management of the fund, it is unable to disclose the fair value classification of plan assets as required by paragraph 142 of International Accounting Standard No. 19. The fair value of the total assets of the fund as of December 31, 2023 and December 31, 2022 is detailed in the government's annual reports on the utilization of the labor retirement fund.

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

	Fiscal year 2023	Fiscal year 2022
Discount rate	1.2%	1.2%
Rate of future salary increase	2%	2%

The assumption for future mortality rates is based on the estimation from the 6th experience life table of 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:

	Discount rate		Rate of future salary increase	
	Increase by 0.25%	Decrease by 0.25%	Increase by 0.25%	Decrease by 0.25%
December 31, 2023				
The effects on the present value of defined benefit obligations	(\$ 2,796)	\$ 2,872	\$ 2,403	(\$ 2,354)
December 31, 2022				
The effects on the present value of defined benefit obligations	(\$ 3,252)	\$ 3,345	\$ 2,831	(\$ 2,770)

The sensitivity analysis mentioned above is based on analyzing the impact of a single assumption change while keeping other assumptions constant. In practice, many assumptions may be interrelated and change together. The sensitivity analysis is consistent with the method used to calculate the net pension liability on the balance sheet. The method and assumptions used in preparing the sensitivity analysis for this period are the same as those used in the previous period.

- f) The Company plans to allocate a retirement plan payment of NT\$8,294 in 2024.
- g) As of December 31, 2023, the weighted average duration of the retirement plan is 7 years. The analysis of retirement benefit payments at maturity is as follows:

Not exceeding 1 year	\$ 14,168
More than 1 year, but less than 5 years	83,125
More than 5 years	51,949
	<u>\$ 149,242</u>

- 2) a) 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 the 2023 and 2022, the Company recognized retirement benefit costs in accordance with the above-mentioned retirement benefit regulations, amounting to NT\$15,447 and NT\$17,032, respectively.

s. Share capital

- 1) As of December 31, 2023, the authorized capital of our company is NT\$45,000,000, divided into 4,500,000,000 shares, with a paid-up capital of NT\$10,893,483 and a par value of NT\$10 per share. All the share capital issued by our company has been fully collected. The number of outstanding common shares of our company at the beginning and end of the period is adjusted as follows (unit: shares):

	<u>2023</u>	<u>2022</u>
January 1	1,089,348,328	1,158,881,200
Cash reduction	-	(69,532,872)
December 31	<u>1,089,348,328</u>	<u>1,089,348,328</u>

- 2) The company, by resolution of the shareholders' meeting on June 17, 2022, intends to reduce its capital by NT\$695,329 in order to enhance shareholder return on equity and optimize its capital structure. The reduction will involve the cancellation of 69,532,872 ordinary shares, representing a cash reduction ratio of 6%. For every one thousand shares cancelled, 940 new shares will be issued (i.e., 60 shares will be cancelled for every one thousand shares). Each share will be refunded NT\$0.6. The reduction will be effective as of August 12, 2022, and the capital refund has already been completed on October 28, 2022.

t. Capital surplus

According to the regulations of the Company Law, the surplus from the issuance of stocks exceeding the face value and the capital surplus received as gifts, apart from being used to offset losses, shall be distributed in the form of new shares or cash in proportion to the original shareholdings of the shareholders when the company has no accumulated losses. Furthermore, in accordance with the relevant provisions of the Securities and Exchange Act, the total amount of capital surplus allocated to capital shall not exceed ten percent of the paid-in capital each year. If the company still has insufficient capital to cover the capital losses after using the retained earnings, the capital surplus shall not be used to supplement it.

	2023				
	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	\$ 1,698,443	\$ 5,014,346	\$ 68	\$ 1,922	\$ 6,714,779
Changes in ownership interests in subsidiaries	-	-	-	4	4
Difference between the equity price of subsidiary actually acquired or disposed of and the book value	-	-	5,723	-	5,723
December 31	<u>\$ 1,698,443</u>	<u>\$ 5,014,346</u>	<u>\$ 5,791</u>	<u>\$ 1,926</u>	<u>\$ 6,720,506</u>

	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
Distribution of Capital Surplus in Cash	(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>

u. Retained Earnings (Accumulated Deficits)

- 1) According to the company's articles of incorporation, if there is a surplus in the annual final accounts, taxes should be paid first to offset accumulated losses. Next, 10% should be set aside as statutory surplus reserves, but this is not required if the statutory surplus reserves have reached the total capital of the company. After making provisions or reversing special surplus reserves in accordance with the law, if there is still a surplus, it will be combined with the initial accumulated undistributed profits. The Board of Directors will prepare a surplus distribution proposal, which will be distributed after being approved by the shareholders' meeting. The company's dividend policy takes into account the capital expenditure requirements and aligns with the company's long-term financial planning. The total amount of dividends shall not be less than 10% of the distributable profits for the current year. However, if the distributable profits are less than 1% of the paid-in capital, they may not be distributed. When distributing dividends, cash dividends shall not be less than 10% of the total dividend amount.
- 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 approved the proposal to allocate the losses of the fiscal year 2022 for compensation at the shareholders' meeting held on June 13, 2023.
b) The Company passed the proposal for 2021 earnings distribution as resolved by the shareholders' meeting on June 17, 2022 as follows:

	<u>2021</u>	
	<u>Amount</u>	<u>Earnings per share (NT\$)</u>
Legal reserve appropriation	\$ 15,259	\$ -
Special surplus reserve appropriation	<u>137,333</u>	-
	<u>\$ 152,592</u>	

- c) On June 17, 2022, the Company resolved at the shareholders' meeting to distribute cash dividends of NT\$115,888 from the capital surplus generated by the issuance of shares at a premium over the face value, with a distribution of NT\$0.1 per share.
The dividend distribution for the fiscal year 2021 is consistent with the proposal of the Board of Directors of the Company.

- 5) The Company's Board of Directors passed the proposal for 2023 earnings distribution on March 14, 2024 as follows:

	Fiscal year 2023	
	Amount	Earnings per share (NT\$)
Legal reserve appropriation	\$ 66,486	\$ -
Reversal of special reserve	(153,322)	-
Cash dividends	<u>740,757</u>	0.68
	<u>\$ 653,921</u>	

The aforementioned 2023 profit distribution proposal, as of March 14, 2024, has not yet been resolved by the shareholders' meeting.

- 6) Please refer to the 'Public Information Observation Station' of the Taiwan Stock Exchange for details on the distribution of profits approved by the aforementioned Board of Directors and resolved by the shareholders' meeting.
- v. Other equity items

	2023		
	Foreign currency translation	Unrealized valuation gains and losses	Total
January 1	(\$ 113,253)	(\$ 209,333)	(\$ 322,586)
Adjustment to valuation:			
– Parent company	-	164,187	164,187
– Subsidiaries and associates	-	(10,140)	(10,140)
Reclassified from valuation adjustment to retained earnings	-	35,683	35,683
Foreign currency translation difference:			
– Parent company	29,960	-	29,960
– Subsidiaries and associates	<u>428</u>	<u>-</u>	<u>428</u>
December 31	<u>(\$ 82,865)</u>	<u>(\$ 19,603)</u>	<u>(\$ 102,468)</u>

	2022		
	Foreign currency translation	Unrealized valuation gains and losses	Total
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 adjustment to retained earnings	-	(6,746)	(6,746)
Foreign currency translation difference:			
– Parent company	317,645	-	317,645
– Subsidiaries and associates	1,239	-	1,239
December 31	<u>(\$ 113,253)</u>	<u>(\$ 209,333)</u>	<u>(\$ 322,586)</u>

w. Operating revenue

	Fiscal year 2023	Fiscal year 2022
Revenue from customer contracts	<u>\$ 3,054,699</u>	<u>\$ 3,401,673</u>

1) Breakdown of revenue from customer contracts

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

	Fiscal year 2023		
	Storage media	Others	Total
Timing of revenue recognition			
Revenue recognized at a specific timing	<u>\$ 2,940,051</u>	<u>\$ 114,648</u>	<u>\$ 3,054,699</u>
	Fiscal year 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>

2) Contract liabilities

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Product sales contracts	<u>\$ 56,169</u>	<u>\$ 84,425</u>	<u>\$ 136,295</u>

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

	<u>Fiscal year 2023</u>	<u>Fiscal year 2022</u>
Opening balance of contract liabilities recognized as income for the period		
Product sales contracts	<u>\$ 77,068</u>	<u>\$ 133,485</u>

x. Interest revenue

	<u>Fiscal year 2023</u>	<u>Fiscal year 2022</u>
Interests on bank deposits	\$ 5,130	\$ 1,436
Interest revenue from financial assets at amortized cost - interest revenue	78	15
Other (please refer to Note 6 (10))	642	172
	<u>\$ 5,850</u>	<u>\$ 1,623</u>

y. Other income

	<u>Fiscal year 2023</u>	<u>Fiscal year 2022</u>
Rental income	\$ 51,600	\$ 56,195
Dividend income	779,008	265,098
Other income	18,671	7,836
	<u>\$ 849,279</u>	<u>\$ 329,129</u>

z. Other gains and losses

	<u>Fiscal year 2023</u>	<u>Fiscal year 2022</u>
Net gains (losses) on financial assets at FVTPL	\$ 856,109	(\$ 770,178)
Net losses on financial liabilities at fair value through profit or loss	(20,619)	(50,590)
Net Foreign Exchange Gains	5,723	90,131
Gains on disposal of property, factories and equipment and other non-current assets	654	386
Non-financial asset impairment losses	-	(73,016)

	<u>Fiscal year 2023</u>	<u>Fiscal year 2022</u>
Depreciation expenses not for self use (Note)	(21,692)	(27,163)
Gain on sublease of right-of-use assets	-	2,794
Other expenditures	(6,917)	(11,515)
	<u>\$ 813,258</u>	<u>(\$ 839,151)</u>

Note: Depreciation expenses for investment properties, leased rights assets, and leased equipment.

aa. Finance costs

	<u>Fiscal year 2023</u>	<u>Fiscal year 2022</u>
Interest expenses:		
Bank borrowings	\$ 83,458	\$ 53,780
Others	994	792
Borrowing facility management expense	<u>3,002</u>	<u>431</u>
	87,454	55,003
Less: Amount qualified for capitalization	(184)	(165)
	<u>\$ 87,270</u>	<u>\$ 54,838</u>

bb. Employee benefit, depreciation, and amortization expenses

In 2023 and 2022, the employee benefit, depreciation, and amortization expenses incurred by the Company are summarized as follows by function:

Functional Category Nature	Fiscal year 2023		
	Operating costs	Operating expenses	Total
Employee benefit expenses			
Salaries and wages	\$ 305,927	\$ 105,754	\$ 411,681
Labor and health insurance premiums	32,945	10,982	43,927
Pension expenses	11,408	4,963	16,371
Remuneration of directors	-	2,920	2,920
Other personnel expenses	5,938	3,618	9,556
Depreciation expenses	231,379	81,989	313,368
Amortization expenses	3,171	35,626	38,797

Functional Category Nature	Fiscal year 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
Remuneration of directors	-	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

- 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 has accumulated losses, it should reserve in advance to offset the amount of losses.
- 2) The estimated amounts for employee and director remuneration in the fiscal year 2023 of our company are \$7,000 and \$1,600, respectively. The aforementioned amounts are recorded under the salary expense account.
In 2023, based on the profitability of that year, it is estimated at 1.01% and 0.23% respectively. The Board of Directors has decided to distribute the actual amounts of \$7,000 and \$1,600 respectively, in the form of cash.
- 3) Due to accumulated losses in the fiscal year 2022 of the Company, there is no need to estimate employee and director remuneration.
- 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) As of 2023 and 2022, the number of employees was 627 and 705, respectively. Among them, the number of non-executive directors who were not concurrently employed in 2023 and 2022 fiscal years was 6 and 6, 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 welfare expenses for the 2023 and 2022 fiscal years were NT\$775 and NT\$737, respectively.
 - b) The average employee welfare expenses for the 2023 and 2022 fiscal years were NT\$663 and NT\$630, respectively.
 - c) The average employee salary adjustment is 5.2%.
 - d) The company has set up an audit committee in 2023 and 2022, 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. Managerial compensation includes fixed salary and employee rewards, with salary being based on industry standards as well as job title, position level, education, professional skills, 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:

	<u>Fiscal year 2023</u>	<u>Fiscal year 2022</u>
Deferred income tax:		
Initial recognition and reversal of temporary differences	<u>16,617</u>	<u>15,352</u>
Income tax expense	<u>\$ 16,617</u>	<u>\$ 15,352</u>

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

	<u>Fiscal year 2023</u>	<u>Fiscal year 2022</u>
Remeasurement of defined benefit obligations	<u>(\$ 580)</u>	<u>\$ 4,434</u>

2) Reconciliation between income tax expense and accounting profit

	Fiscal year 2023	Fiscal year 2022
Income tax calculated based on income before tax and statutory tax rate	\$ 353,371	(\$ 212,481)
Items to be adjusted as required by tax regulations	748	6,943
Items exempt from taxation according to the tax law	(109,032)	(8,110)
Unrealized gains or losses on financial assets that are not taxable	(214,262)	107,100
Temporary differences not recognized in deferred income tax assets	-	68,467
Taxable loss not recognized in deferred income tax assets	536,819	29,162
Change in realizability evaluation of deferred income tax liabilities	(551,027)	24,271
Income tax expense	<u>\$ 16,617</u>	<u>\$ 15,352</u>

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

	2023			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred in come tax assets:				
– Temporary differences:				
Over-limit of allowance for loss	\$ 29,818	(\$ 982)	\$ -	\$ 28,836
Inventory valuation loss	26,328	5,327	-	31,655
Compensation for unused annual leave	4,071	(33)	-	4,038
Unrealized exchange loss	6,816	3,648	-	10,464
Remeasurement of defined benefit obligations	7,925	-	580	8,505
Unrealized sales gains	22,869	5,301	-	28,170
– Tax losses	64,281	(27,950)	-	36,331
Subtotal	<u>\$ 162,108</u>	<u>(\$ 14,689)</u>	<u>\$ 580</u>	<u>\$ 147,999</u>
Deferred income tax liabilities:				
– Temporary differences:				
Provision for land value increment tax	(\$ 21,379)	\$ -	\$ -	(\$ 21,379)
Others	(2,359)	(1,928)	-	(4,287)
Subtotal	<u>(\$ 23,738)</u>	<u>(\$ 1,928)</u>	<u>\$ -</u>	<u>(\$ 25,666)</u>
Total	<u>\$ 138,370</u>	<u>(\$ 16,617)</u>	<u>\$ 580</u>	<u>\$ 122,333</u>

	2022			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred in come tax assets:				
– Temporary differences:				
Over-limit of allowance for loss	\$ 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>

- 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, 2023				
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
Fiscal year 2014	Approved amount	\$ 792,870	\$ 792,870	Fiscal year 2024
Fiscal year 2015	"	1,242,438	1,239,773	Fiscal year 2025
Fiscal year 2016	"	2,413,223	2,368,741	Fiscal year 2026
Fiscal year 2017	"	570,239	506,234	Fiscal year 2027
Fiscal year 2018	"	542,996	472,491	Fiscal year 2028
Fiscal year 2021	"	95,706	95,706	Fiscal year 2031
Fiscal year 2022	Declared amount	570,212	570,212	Fiscal year 2032
Fiscal year 2023	Estimated amount	1,912,933	1,912,933	Fiscal year 2033
		<u>\$ 8,140,617</u>	<u>\$ 7,958,960</u>	

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
Fiscal year 2013	Approved amount	\$ 1,396,315	\$ 1,326,765	Fiscal year 2023
Fiscal year 2014	"	792,870	680,464	Fiscal year 2024
Fiscal year 2015	"	1,242,438	1,102,989	Fiscal year 2025
Fiscal year 2016	"	2,413,223	2,413,223	Fiscal year 2026
Fiscal year 2017	"	570,239	570,239	Fiscal year 2027
Fiscal year 2018	"	542,996	542,996	Fiscal year 2028
Fiscal year 2021	Declared amount	650,803	650,803	Fiscal year 2031
Fiscal year 2022	"	145,810	145,810	Fiscal year 2032
		<u>\$ 7,754,694</u>	<u>\$ 7,433,289</u>	

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

	December 31, 2023	December 31, 2022
Deductible temporary differences	\$ 8,431,354	\$ 11,365,592

6) The profit-seeking enterprise income tax returns filed by the Company up to 2021 have been approved by the tax collection authorities.

dd. Earnings (Loss) Per Share

	Fiscal year 2023		
	Amount after tax	Weighted average number of outstanding shares (thousand shares)	Earnings per share (NT\$)
<u>Basic and diluted earnings per share</u>			
Net profit	<u>\$ 1,750,238</u>	<u>1,089,348</u>	<u>\$ 1.61</u>
<u>Diluted earnings per share</u>			
Net profit	1,750,238	1,089,348	
Potential effect of dilutive ordinary shares			
Employee compensation	-	<u>609</u>	
Current net profit plus potential effect of ordinary shares	<u>\$ 1,750,238</u>	<u>1,089,957</u>	<u>\$ 1.61</u>

	Fiscal year 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	(\$ 1,077,677)	1,131,830	(\$ 0.95)

ee. Additional information on cash flows

Investing activities with only partial cash payments:

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

	Fiscal year 2023		Fiscal year 2022	
Prepayments for purchase of equipment	\$	84,071	\$	88,314
Add: Payable, beginning of period		34,313		34,936
Less: Payable, end of period	(	40,781)	(	34,313)
Cash paid for current period	\$	77,603	\$	88,937

- 2) Intangible assets:

	Fiscal year 2023		Fiscal year 2022	
Acquisition of intangible assets	\$	5,200	\$	3,646
Add: Payable, beginning of period		320		662
Less: Payable, end of period	(	668)	(	320)
Cash paid for current period	\$	4,852	\$	3,988

ff. Changes in liabilities from financing activities

	2023				
	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	\$ 550,000	\$ 50,000	\$ 3,910,000	\$ 71,237	\$ 4,581,237
Changes in cash flow from financing activities	(100,000)	(50,000)	35,000	(10,409)	(125,409)
Other non-cash changes	-	-	-	2,596	2,596
December 31	<u>\$ 450,000</u>	<u>\$ -</u>	<u>\$ 3,945,000</u>	<u>\$ 63,424</u>	<u>\$ 4,458,424</u>

2022

	Short-term borrowings	To deal with Short-term notes	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>

7. Related-Party Transactions

a. Name and relationship of related parties

Names of related party	Relationship with the Company
Transtouch Technology Inc. (Transtouch)	Subsidiaries
Deltamac (Taiwan) Co., Ltd. (Deltamac (Taiwan))	"
Sun Well Solar Corporation (Sun Well Solar) (Note 1)	"
CMC Movie Corporation (CMC Movie) (Note 2)	"
CHC International Investment Corporation (CHC)	"
CMC Entertainment Holding Corporation (CMC Entertainment)	"
CMC Entertainment Hub Corporation (CMC Entertainment Hub)	"
Fortune (Jiangsu) Multimedia Co., Ltd.. (Fortune (Jiangsu) Multimedia)	Sub-subsubsidiary
Com In Dim Corporation (Com In Dim) (Note 3)	"
TAIWANET.COM Corporation (TAIWANET.COM)	"
Jet-Thai Hi-Tech Co. Ltd. (Jet-Thai)	"
EMC Investment Holding Ltd. (EMC H)	Subsidiaries
Verbatim Americas LLC. (VUS)	Subsidiary of sub- subsidiary
Verbatim Australia Pty. Ltd. (VAU)	Sub-subsubsidiary
Verbatim GmbH (VGmbH)	"
Verbatim (Hong Kong) Limited (VHK)	"
Verbatim Japan (VJP)	"
Super Net Holding Ltd.(Super Net)	"
Vie Show Cinemas Co., Ltd. (Vie Show Cinemas)	Associates

Notes 1: The liquidation was completed in December 2023.

Notes 2: Merged with CMC Entertainment in October 2023.

Notes 3: Merged with CMC Entertainment Hub in September 2023.

b. Significant transactions with related parties

1) Operating revenue

	<u>Fiscal year 2023</u>	<u>Fiscal year 2022</u>
Sale of goods:		
Subsidiary- VJP	\$ 767,529	\$ 697,635
- VUS	482,053	323,427
- VGmbH	297,031	401,959
- Others	212,300	310,298
	<u>\$ 1,758,913</u>	<u>\$ 1,733,319</u>

The company considers the transaction prices with related parties to be comparable to those with unrelated parties. The payment terms for foreign subsidiaries are 60 to 120 days after delivery. For general foreign customers, the payment terms are 30 to 120 days after delivery, while for general domestic customers, the terms are net O/A 90 to 120 days.

2) Purchases

	<u>Fiscal year 2023</u>	<u>Fiscal year 2022</u>
Purchases of goods:		
Subsidiaries	<u>\$ 1,282</u>	<u>\$ 4,986</u>

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

3) Accounts receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiary - VJP	\$ 349,221	\$ 315,387
- VUS	182,400	170,123
- VGmbH	101,328	143,143
- Fortune (Jiangsu) Multimedia	67,776	147,887
- Others	13,798	8,933
Loss allowance	-	(1,003)
	<u>\$ 714,523</u>	<u>\$ 784,470</u>

The receivables from related parties mainly come from the sale of goods, and the payment terms are not significantly different from regular transactions, ranging from 60 to 120 days after delivery. These receivables are not secured or interest-bearing.

4) Account payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiaries	<u>\$ 96</u>	<u>\$ 2,201</u>

Account payable to related parties mainly come from purchase transactions and are due 90 days after the date of purchase.

5) Asset transactions:

	<u>Financial statement account</u>	<u>Fiscal year 2023 Acquisition price</u>	<u>Fiscal year 2022 Acquisition price</u>
Subsidiary -	Other non-current	293	696
TAIWANET.COM	assets		
- Others	"	-	239
		<u>\$ 293</u>	<u>\$ 935</u>

6) Operating expenses

	<u>Fiscal year 2023</u>	<u>Fiscal year 2022</u>
Subsidiaries	\$ 107,378	\$ 65,610
Associates	-	36
	<u>\$ 107,378</u>	<u>\$ 65,646</u>

The main operating expense of the subsidiary is advertising expenses.

7) Other income

a) Rental income

	<u>Fiscal year 2023</u>	<u>Fiscal year 2022</u>
Subsidiary - Transtouch	\$ 20,578	\$ 20,694
- Others	3,350	3,383
	<u>\$ 23,928</u>	<u>\$ 24,077</u>

b) Other income

	<u>Fiscal year 2023</u>	<u>Fiscal year 2022</u>
Subsidiaries	<u>\$ 6,644</u>	<u>\$ 5,222</u>

8) Lending of funds - related parties

a) Loans to Related Parties

i. The year-end balance (listed under other receivables - related parties)

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiary - Sun Well	\$ -	\$ 1,055,300
Less: Allowance for loss	-	(1,055,300)
	<u>\$ -</u>	<u>\$ -</u>

b) Borrowing from related parties

The year-end balance (listed under other payables - related parties)

	<u>Fiscal year 2023</u>	<u>Fiscal year 2022</u>
Subsidiary - SuperNet	\$ 27,635	\$ 30,725
- EMC H	300,909	245,800
	<u>\$ 328,544</u>	<u>\$ 276,525</u>

The loan from the subsidiary has not accrued interest.

9) Other receivables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiaries	\$ 5,576	\$ 52,073
Less: Allowance for loss	-	(40,495)
	<u>\$ 5,576</u>	<u>\$ 11,578</u>

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

10) Other payable items

	<u>Fiscal year 2023</u>	<u>Fiscal year 2022</u>
Subsidiary - VJP	\$ 13,507	\$ 20,378
- Others	8,379	2,632
	<u>\$ 21,886</u>	<u>\$ 23,010</u>

The other payables to the subsidiary mainly consist of advertising expenses and payable hardware parts.

c. Information on the remunerations of the key management:

	<u>Fiscal year 2023</u>	<u>Fiscal year 2022</u>
Salaries and other short-term employee benefits	\$ 15,627	\$ 17,928
Post-employment benefits	350	424
	<u>\$ 15,977</u>	<u>\$ 18,352</u>

8. Pledged Assets

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

Asset items	Carrying amount value		Purpose of collateral
	December 31, 2023	December 31, 2022	
Restricted demand and time deposit (listed in financial assets at amortized cost - current and non-current)	\$ 10,111	\$ 2,400	Bank borrowings
Listed stocks (listed in financial assets at FVTPL- non-current)	2,386,710	1,974,795	"
Property, factories and equipment	2,527,620	2,550,848	"
Investment property	2,202	2,421	"
	<u>\$ 4,926,643</u>	<u>\$ 4,530,464</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

	December 31, 2023	December 31, 2022
Property, factories and equipment	<u>\$ 16,065</u>	<u>\$ 4,985</u>

2) The company has signed a licensing agreement for optical disc products with HP Inc. and One-Blue LLC, and will pay royalties to the company based on the sales volume of the relevant products or in installments based on the total amount.

3) Amount of Letter of Credit Opened but Not Utilized

	Unit: NT\$ thousands	
	December 31, 2023	December 31, 2022
USD	\$ 780	\$ 3,483
NTD	94,191	-

10. Major Disaster Loss

None.

11. Material Events After the Balance Sheet Date

Please refer to Note 6 (21)5 for the earnings distribution proposal for 2023 proposed by the Board of Directors on March 14, 2024.

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, 2023</u>	<u>December 31, 2022</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	\$ 8,178,579	\$ 5,738,738
Financial assets at FVTOCI		
Investment in designated equity instruments selected	\$ 217,430	\$ 53,243
Financial assets measured at amortized cost/loans and receivables		
Cash and cash equivalents	\$ 1,168,756	\$ 1,191,212
Financial assets at amortized cost - current and non-current	10,111	2,400
Notes receivable	136	230
Notes receivable and account receivable (including related parties)	917,041	1,180,761
Finance lease receivables (listed in other current and non-current assets)	45,380	51,086
Other receivables (including related parties)	44,509	49,927
Refundable deposits (listed in other non-current assets)	3,397	4,897
	<u>\$ 2,189,330</u>	<u>\$ 2,480,513</u>

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trade	<u>\$ 648</u>	<u>\$ 1,952</u>
Financial liabilities measured at amortized cost		
Short-term borrowings	\$ 450,000	\$ 550,000
Short-term Notes Payable	-	50,000
Notes payable	28,982	45,974
Account payables (related parties)	300,769	288,152
Other receivables (including related parties)	690,276	465,530
Long-term borrowing (including due within one year or one operating cycle)	3,945,000	3,910,000
Guarantee deposits received (listed in other current and non-current liabilities)	6,522	6,285
	<u>\$ 5,421,549</u>	<u>\$ 5,315,941</u>
Lease liabilities	<u>\$ 63,424</u>	<u>\$ 71,237</u>

2) Risk management policy

- a) Our company's daily operations are subject to various financial risks, including market risks (including exchange rate risks, interest rate risks, and price risks), credit risks, and liquidity risks. To mitigate the adverse impact of uncertainty on our financial performance, our company engages in forward foreign exchange contracts to hedge against exchange rate risks. The derivative instruments entered into by our company are for hedging purposes and not for trading or speculation.
- b) Risk management work is carried out by the Finance Department of our company in accordance with policies approved by the Board of Directors. The Finance Department closely collaborates with various operational units within the company to be responsible for identifying, assessing, and mitigating financial risks. The Board of Directors has established written principles for overall risk management and provides 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 of surplus working capital.

3) The nature and level of material financial risks

a) Market risk

Exchange rate risk

- i. The company operates internationally, and therefore is exposed to exchange rate risks arising from transactions in currencies other than the functional currency of the company, primarily the US dollar, Japanese yen, euro, and Chinese yuan. These exchange rate risks are associated with future business transactions and recognized assets and liabilities.
- ii. The management of our company has established policies to manage the exchange rate risk relative to its functional currencies. The finance department hedges against the overall exchange rate risk. The measurement of exchange rate risk is done through expected transactions involving significant USD and RMB expenses, using forward foreign exchange contracts to reduce the impact of exchange rate fluctuations on expected inventory purchase costs.
- iii. The Company uses forward foreign exchange contracts to hedge against exchange rate risk while hedging accounting is not applied.
- iv. The Company's business involves a number of non-functional currencies (the functional currencies of the Company and some subsidiaries are NTD, while the functional currencies of other subsidiaries are USD and RMB). 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, 2023			
	Foreign currencies (thousand)	Exchange rate	Carrying Amount (NTD)
(Foreign currency: Functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 36,582	30.705	\$ 1,123,250
RMB: NTD	21,724	4.328	94,021
<u>Non-monetary items</u>			
USD: NTD	\$ 126,067	30.705	\$ 3,870,887
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	\$ 14,979	30.705	\$ 459,930

				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	
	RMB: 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	

- v. The total exchange gains (realized and unrealized) of our company's monetary items, which are significantly affected by exchange rate fluctuations, amounted to NT\$5,723 and NT\$90,131 in the fiscal years 2023 and 2022, respectively.
- vi. The Company's foreign currency market risk analysis due to significant influence of exchange rate fluctuations is as follows:

							Fiscal year 2023			
							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%	\$	11,233	\$	-				
	RMB: NTD	1%		940		-				
<u>Non-monetary items</u>										
	USD: NTD	1%	\$	38,709	\$	-				
<u>Financial liabilities</u>										
<u>Monetary items</u>										
	USD: NTD	1%	\$	4,599	\$	-				

Fiscal year 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		-
RMB: 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	\$	-

Price risk

- i. The Company is exposed to price risk through equity instruments, which are recognized as financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. To manage the price risk of equity instrument investments, the Company diversifies its investment portfolio in accordance with the limits set by the Company.
- ii. The Company primarily invests in equity instruments and open-ended funds issued by domestic companies. The prices of these equity instruments are affected by the uncertainty of the future value of the underlying investments. If the prices of these equity instruments increase or decrease by 1%, while all other factors remain unchanged, the tax-adjusted net (loss) income for the years 2023 and 2022 of the Republic of China will increase or decrease by \$81,786 and \$57,387, respectively, due to the gains or losses from equity instruments measured at fair value through profit or loss. The other comprehensive income will increase or decrease by \$2,174 and \$532, respectively, due to the gains or losses from equity investments classified as fair value through other comprehensive income.

Interest rate risk of cash flow and fair value

- i. The company's interest rate risk primarily arises from long-term borrowings issued at floating interest rates, exposing the Company to cash flow interest rate risk. In the fiscal years 2023 and 2022, the company's borrowings issued at floating interest rates 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 (loss) after tax would have decreased or increased by NT\$7,890 and NT\$7,820 in 2023 and 2022, 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 account receivable in accordance with the payment terms.

ii. The company establishes credit risk management from a corporate perspective. Only institutions with good credit ratings are accepted as trading partners for banks and financial institutions. According to the internal credit policy, each new customer must be managed and analyzed for credit risk before setting payment and delivery terms and conditions. Internal risk control is based on considering their financial condition, past experience, and other factors to evaluate the credit quality of customers. The individual risk limits are formulated by the Board of Directors based on internal or external ratings and the use of credit limits is regularly monitored.

iii. In accordance with our credit risk management procedures, when contract payments exceed 360 days beyond the agreed payment terms, it is considered 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:

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

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

vi. After the company's recovery process, the amount of financial assets that cannot be reasonably expected to be recovered is written off. However, the company will continue to pursue legal proceedings to protect its rights to the debt. In both fiscal year 2023 and 2022, the company has outstanding debts that have not been written off and are still subject to recovery activities.

vii. i) The Company adjusts the loss rate for accounts receivable and accounts payable (including related parties) of customers with general credit conditions based on historical and current information, taking into account the forward-looking considerations of global economic information. The reserve matrix as of December 31, 2023 and December 31, 2022 of the Republic of China is as follows:

	<u>Expected loss rate</u>	<u>Total carrying amount</u>	<u>Loss allowance</u>	<u>Total</u>
<u>December 31, 2023</u>				
Not past due	4.0%	\$ 20,599	(\$ 830)	\$ 19,769
Overdue for 1–30 days	10.0%	7,303	(727)	6,576
Overdue for 31–60 days	11.0%	13,013	(1,430)	11,583
Overdue for 61–90 days	12.2%	4,032	(491)	3,541
Overdue for 91–180 days	13.92~18.12%	7,767	(1,246)	6,521
Overdue for more than 181 days	24.75~100%	45,590	(41,101)	4,489
Total		<u>\$ 98,304</u>	<u>(\$ 45,825)</u>	<u>\$ 52,479</u>
	<u>Expected loss rate</u>	<u>Total carrying amount</u>	<u>Loss allowance</u>	<u>Total</u>
<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>

- ii) For customers in the excellent credit group, this Company does not consider expected credit loss to be significant, and thus, calculates expected credit loss using the loss rate method. The expected loss rate is 0.2%. As of December 31, 2023 and 2022, the total value of accounts receivable is NT\$865,001 and NT\$1,083,372, respectively, with allowances for losses of NT\$303 and NT\$1,601 respectively.
- iii) The total book value of receivable financing lease payments as of December 31, 2023 and 2022 was NT\$45,380 and NT\$51,086, respectively. Due to good credit risk, it is expected that there will be no significant credit losses, so the provision for losses is NT\$0.
- viii. The table of the changes in the Company's simplified loss allowance for notes and account receivable (including related parties), other account receivable (including related parties), and overdue receivables is as follows:

	<u>2023</u>			
	<u>Notes receivable and account receivable (including related parties)</u>	<u>Other receivables (including related parties)</u>	<u>Overdue receivables</u>	<u>Total</u>
January 1	\$ 23,087	\$ 1,104,215	\$ 139,437	\$ 1,266,739
Impairment loss provision	23,041	-	-	23,041
Reversal of impairment loss	-	-	(452)	(452)
Write-off of unrecoverable accounts	-	-	(30,785)	(30,785)
Sun Well Solar Liquidation	-	(1,095,178)	-	(1,095,178)
Others	-	(617)	-	(617)
December 31	<u>\$ 46,128</u>	<u>\$ 8,420</u>	<u>\$ 108,200</u>	<u>\$ 162,748</u>

2022

	Notes receivable and account 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 provision	20,987	-	-	20,987
Reversal of impairment loss	-	(42)	(379)	(421)
Write-off of unrecoverable accounts	(45)	(2,520)	(30,785)	(33,350)
Reclassify as collections	(61,570)	-	61,570	-
December 31	<u>\$ 23,087</u>	<u>\$ 1,104,215</u>	<u>\$ 139,437</u>	<u>\$ 1,266,739</u>

In the losses recognized in 2023 and 2022, the impairment (losses) gains arising from receivables from customer contracts were NT\$22,589 and NT\$20,608, respectively.

c) Liquidity risk

- i. Cash flow forecasting is carried out by various operational units within the company and consolidated by the finance department. The finance department monitors the forecast of the company's working capital requirements to ensure that there is sufficient funding to support operational needs.
- ii. The following table shows the Company's non-derivative financial liabilities and derivative financial liabilities that are settled on a net or total basis, grouped according to the relevant maturity dates. Non-derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the contract maturity date. Derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the expected maturity date.

December 31, 2023

Non-derivative financial liabilities:	Within 1 year	1-2 years	2-5 years	Over 5 years
Short-term Loans (including Estimated Interest)	\$ 450,630	\$ -	\$ -	\$ -
Notes payable	28,982	-	-	-
Account payables	300,769	-	-	-
Other payables	690,276	-	-	-
Lease liabilities	10,011	8,700	36,375	11,400
Long-term borrowings (including due within one year or one operating cycle and estimated interest)	999,018	1,276,291	1,815,595	-
Guarantee deposits received (listed in other current and non- current liabilities)	180	-	4,650	1,692
<u>Derivative financial liabilities</u>				
Forward exchange agreements	\$ 648	\$ -	\$ -	\$ -

December 31, 2022

Non-derivative financial liabilities:	Within 1 year	1-2 years	2-5 years	Over 5 years
Short-term Loans (including Estimated Interest)	\$ 551,577	\$ -	\$ -	\$ -
Short-term Notes Payable	50,000	-	-	-
Notes payable	45,974	-	-	-
Account 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	\$ -	\$ -	\$ -

iii. The details of the unused loan limits of this group are as follows:

	December 31, 2023	December 31, 2022
Floating interest rate		
Expires within one year	\$ 1,779,935	\$ 1,475,075
Expires after more than one year	1,970,000	135,000
	\$ 3,749,935	\$ 1,610,075

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: Companies measure the unadjusted market quotations of identical assets or liabilities that can be obtained on a liquid market. A liquid market refers to a market where there is a sufficient frequency and volume of transactions for pricing information to be continuously available. The fair value of the company's investments in listed stocks and beneficial certificates, among others, falls under this category.

Level 2: Observable input values for assets or liabilities, directly or indirectly, excluding those included in Level 1 quotes. This applies to the fair value of most derivative instruments invested by the Company.

Level 3: Unobservable inputs for assets or liabilities. 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, notes receivable, account receivable, other receivables, financial assets at amortized cost, refundable deposits (listed in other current and non-current assets), overdue receivables (listed in other non-current assets), short-term borrowings, notes payables, Account payables, other payables, lease liabilities, long-term borrowings (including due within one year or one operating cycle), guarantee deposits received (listed in other non-current liabilities), and long-term notes and account payable (listed in other non-current liabilities), are reasonable approximations of the fair values.

3) Financial and non-financial instruments measured at fair value are classified by the 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, 2023	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	\$ 8,072,656	\$ -	\$ 51,000	\$ 8,123,656
Beneficiary certificates	\$ 50,000	\$ -	\$ -	\$ 50,000
Derivative instruments	-	4,923	-	4,923
Financial assets at FVTOCI				
Equity securities	-	-	217,430	217,430
Total	<u>\$ 8,122,656</u>	<u>\$ 4,923</u>	<u>\$ 268,430</u>	<u>\$ 8,396,009</u>
Liabilities				
<u>Fair value on a recurring basis</u>				
Financial liabilities at fair value through profit or loss				
Derivative instruments	\$ -	\$ 648	\$ -	\$ 648

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 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>

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-standardized and relatively low complexity financial instruments, the Company adopts widely used valuation techniques in the market. The parameters used in the valuation models for such financial instruments are typically based on market observable information.
- iv. The evaluation of derivative financial instruments is based on widely accepted valuation models in the market, such as discounted cash flow method and option pricing models. Forward foreign exchange contracts are typically evaluated based on the current forward exchange rate.
- v. The output of the valuation model is an estimated approximate value, and the valuation technique may not reflect all relevant factors related to the company's financial and non-financial instruments. Therefore, the estimated value of the valuation model will be adjusted appropriately based on additional parameters.

- 4) There were no transfers between Level 1 and Level 2 fair value in 2023 and 2022.
- 5) The table below shows the changes in Level 3 fair value in 2023 and 2022:

	2023		2022	
	Equity instruments		Equity instruments	
January 1	\$	53,243	\$	59,826
Acquisition of equity instruments measured at fair value through profit or loss		51,000		-
Proceeds from the disposal of equity instruments measured at fair value through other comprehensive income		-	(	325)
Listed in unrealized gain/loss on investments in equity instruments at FVTOCI		164,187	(	6,258)
December 31	\$	268,430	\$	53,243

- 6) There were no transfers into or out of Level 3 fair value in 2023 and 2022.
- 7) In the Company's valuation process for fair value classified as Level 3, the strategic investment department is responsible for independent fair value verification for financial instruments, uses data from independent sources to make the valuation results close to the market level, and confirms that the source of the data is independent, reliable, consistent with other resources, and representative of the executable price, while regularly calibrating the valuation model, updating the inputs and data required by the valuation model, and making any other necessary fair value adjustments to ensure that the valuation results are reasonable.
- 8) The quantitative information on the significant unobservable inputs of the valuation model used in the Level 3 fair value measurement and the sensitivity analysis of the significant unobservable input change are explained as follows:

	Fair value on December 31, 2023	Valuation techniques	Significant unobservable inputs	Interval (weighted average)	Relationship between input and fair value
Non-derivative equity instruments:					
Unlisted stocks	\$ 268,430	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.

	Fair value on December 31, 2022	Valuation techniques	Significant unobservable inputs	Interval (weighted average)	Relationship between input and fair value
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.

- 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 from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5.
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 6.
- 9) Trading in derivative instruments: Notes 6(2) and 6(16).
- 10) Business relations and important transactions between parent company and subsidiaries and among subsidiaries and amounts: 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): Table 8.

c. Information on investments in mainland China

1) Basic information: 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: Table 10.

14. Segment Information

N/A.

CMC Magnetism Corporation

Loans to Others

January 1 to December 31, 2023

Table 1

Unit: NT\$ thousands
(Unless Specified Otherwise)

No. (Note 1)	Lender	Borrower	General ledger account (Note)	Related party status	Highest amount of the period (Note 3)	Closing balance (Note 11)	Actual amount drawn down	Interest rate range (%)	Nature of loan (Note 4)	Amount of transactions (Note 5)	Reason for Short-term Financing (Note 6)	Loss Allowance Provided	Collateral		Limit for Individual Borrower	Total Limit	Remarks
													Name	Value			
0	CMC	Sun Well Solar	Other receivables - related parties	Y	\$ 1,055,300	\$ -	\$ -	-	2	\$ -	Working capital	\$ -	-	\$ -	\$ 2,771,986	\$ 7,391,962	Note 7, Note 12, Note 13
1	EMC Investment Holding	Fortune (Jiangsu) Multimedia	Other receivables	Y	213,408	207,744	207,744	-	2	-	Working capital	-	-	-	507,038	1,352,100	Note 9, Note 11
1	EMC Investment Holding	Verbatim Japan	Other receivables	Y	23,210	21,710	21,710	-	2	-	Working capital	-	-	-	507,038	1,352,100	Note 9, Note 11
1	EMC Investment Holding	CMC	Other receivables	Y	317,863	300,909	300,909	-	2	-	Working capital	-	-	-	1,690,126	1,352,100	Note 9, Note 11
2	SuperNet	CMC	Other receivables	Y	30,725	27,635	27,635	-	2	-	Working capital	-	-	-	206,355	165,084	Note 10, Note 11
3	Fortune Electronic	Sun Biotech Limited	Other receivables	Y	16,917	16,468	16,468	3.45-4.35	2	-	Working capital	-	-	-	45,509	45,509	Note 8, Note 11

Notes 1: The information on such transactions between the Company and its subsidiaries shall be indicated in the No. column as follows:

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

Notes 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.

Notes 3: The highest balance of funds loaned to others in the current year.

Notes 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.

Notes 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.

Notes 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.

Notes 7: The total limit for fund loans is capped at 40% of the current net worth of the lending company. For subsidiaries that have business transactions with our company and are directly or indirectly held by our company with a 50% ownership, the individual loan amount is limited to 15% of our company's net worth or the higher of the two business transaction amounts between the two parties. For subsidiaries that have no business transactions with our company and are directly or indirectly held by our company with a 50% ownership, the individual loan amount is limited to 15% of our company's net worth.

Notes 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.

Notes 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 US\$10,000,000. 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.

Notes 10: The total limit for fund loans is capped at 40% of the current net worth of the lending company. For foreign companies that hold 100% of the voting shares, directly or indirectly, of the parent company and ultimate parent company of our company, the limit is set at no more than 50% of our company's net worth.

Notes 11: The translation is based on the original currency multiplied by the exchange rate at the end of the period.

Notes 12: Relevant processing procedures have been reported to the Board of Directors in accordance with the Regulations Governing Lending of Funds and Making of Endorsements/Guarantees.

Notes 13: The company has been dissolved and liquidated as resolved by the shareholders' meeting in 2023.

CMC Magnetism Corporation
Endorsements/Guarantees Provided to Others
January 1 to December 31, 2023

Unit: NT\$ thousands
(Unless Specified Otherwise)

Table 2

No. (Note 1)	Company Name (Endorsement/ Guarantee Provider)	Party Endorsed/Guaranteed		Limit of Endorsement/ Guarantee for a Single Entity	Maximum Balance of Endorsement/ Guarantee For the Current Period (Note 4)	Balance of Endorsement/ Guarantee, End of Period (Note 5)	Actual Amount Drawn Down (Note 6)	Endorsement /Guarantee Secured with Collateral	Cumulative Endorsements/ Guarantees to the Net Equity in the Latest Financial Statements (%)	Upper Limit of Endorsements/ Guarantees	Parent to subsidiary (Note 7)	Subsidiary to parent (Note 7)	To Entity in Mainland China (Note 7)	Remarks
		Company Name (Note 2)	Relationship (Note 2)											
1	CMC Entertainment Hub	CMC Entertainment Hub	4	\$ 49,795	\$ 1,632	\$ 1,632	\$ -	\$ -	0.98	\$ 49,795	N	N	N	Note 3

Notes 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.

Notes 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.

Notes 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.

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

Notes 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.

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

Notes 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.

Notes 8: The customs bureau of CMC Magnetism Corporation had a balance of \$3,000 in deferred tax guarantees as of December 31, 2023. Transtouch had a balance of \$1,806 in deferred tax guarantees as of December 31, 2023.

CMC Magnetism Corporation

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

January 1 to December 31, 2023

Table 3

Unit: NT\$ thousands
(Unless Specified Otherwise)

Securities held by	Type and Name of Securities (Note 1)	Relationship with Securities Issuer	General Ledger Account	End of Period			Fair Value	Remarks
				Number of Shares	Carrying Amount (Note 2)	Shareholding Percentage (%)		
CMC	Stock of Taiwan High Speed Rail Corporation		Financial assets at fair value through profit or loss - current	53,288,000	\$ 1,635,942	0.95	\$ 1,635,942	
	Evergreen Marine Corporation Stock		"	9,157,000	1,314,030	0.43	1,314,030	
	Stock of Chateau International Development Company Limited		"	13,121,326	826,644	11.10	826,644	
	Stock of Yang Ming Marine Transport Corporation		"	15,247,000	782,171	0.44	782,171	
	Stock of Silicon Integrated Systems Corp.		"	10,793,000	492,161	1.44	492,161	
	Stock of Tainan Enterprises Co., Ltd.		"	11,808,000	345,384	8.08	345,384	
	Stock of Farglory Hotel Co., Ltd.		"	3,299,000	115,135	3.14	115,135	
	Stock of Fubon Financial Holding Co., Ltd.		"		188,265		188,265	
					<u>\$ 5,699,732</u>		<u>\$ 5,699,732</u>	
	Stock of Taiwan High Speed Rail Corporation		Financial assets at FVTPL - non-current	63,700,000	1,955,590	1.13	1,955,590	Note 3
	Stock of Chateau International Development Company Limited		"	3,800,000	239,400	3.21	239,400	Note 3
	Stock of Farglory Hotel Co., Ltd.		"	5,000,000	174,500	4.76	174,500	Note 3
	Perry Biotech Pharmaceuticals Co., Ltd. and other stocks		"		104,434		104,434	Note 3
					<u>\$ 2,473,924</u>		<u>\$ 2,473,924</u>	
	Strand Europe stock		Financial assets at FVTOCI - non-current		<u>\$ 217,430</u>	11.14	<u>\$ 217,430</u>	

Notes 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".

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

Notes 3: As of December 31, 2023, our company has provided 72,620 thousand shares of marketable securities (with a book value of \$2,386,710) as collateral for pledge.

CMC Magnetics Corporation
 Marketable Securities Held at the End of the Period (Excluding Investment in Subsidiaries, Associates, and Joint Ventures)
 January 1 to December 31, 2023

Table 3

Unit: NT\$ thousands
 (Unless Specified Otherwise)

Securities held by	Type and Name of Securities (Note 1)	Relationship with Securities Issuer	General Ledger Account	End of Period				Remarks
				Number of Shares	Carrying Amount (Note 2)	Shareholding Percentage (%)	Fair Value	
CHC	Stock of Taiwan High Speed Rail Corporation		Financial assets at fair value through profit or loss - current	16,926,000	\$ 519,628	0.30	\$ 519,628	
	Millerful No.1 REIT		"	16,340,332	164,220		164,220	
	Stock of Farglory Hotel Co., Ltd.		"	3,367,000	117,508	3.21	117,508	
	Stock of Evergreen Marine Corporation		"		161,068		161,068	
					<u>\$ 962,424</u>		<u>\$ 962,424</u>	
	Stock of Taiwan High Speed Rail Corporation		Financial assets at FVTPL - non-current	22,500,000	\$ 690,750	0.40	\$ 690,750	Note 3
	Stock of Chateau International Development Company Limited		"	6,210,965	391,291	5.25	391,291	Note 3
	Stock of Tainan Enterprises Co., Ltd.		"	9,522,000	278,519	6.52	278,519	Note 3
	Stock of Chung Hsin Electric & Machinery Manufacturing Corporation		"	2,256,730	262,909	0.45	262,909	Note 3
	Stock of Farglory Hotel Co., Ltd.		"	5,800,000	202,420	5.52	202,420	Note 3
	Perry Biotech Pharmaceuticals Co., Ltd. and other stocks		"		100,999		100,999	
					<u>\$ 1,926,888</u>		<u>\$ 1,926,888</u>	
	Stock of Gaius Automotive Inc.		Financial assets at FVTOCI - non-current		<u>\$ 111,011</u>		<u>\$ 111,011</u>	

Notes 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".

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

Notes 3: As of December 31, 2023, CHC provided 36,600 shares of marketable securities (Carrying amount: NT\$1,317,695) as pledge guarantee.

CMC Magnetism Corporation

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

January 1 to December 31, 2023

Table 3

Unit: NT\$ thousands
(Unless Specified Otherwise)

Securities held by	Type and Name of Securities (Note 1)	Relationship with Securities Issuer	General Ledger Account	End of Period			Remarks
				Number of Shares	Carrying Amount (Note 2)	Shareholding Percentage (%)	
CIA	Stock of Transpac Corporation		Financial assets at FVTOCI - non-current		\$ 12,374		\$ 12,374
Supernet	Stock of Sands China Limited		Financial assets at fair value through profit or loss - current		\$ 69,043		\$ 69,043
	GlassBridge stock		"		788		788
	HSBC Commercial Bank Bonds				56,149		56,149
	Private Equity Fund - China Economic Cooperation Fund No. 9		Financial assets at FVTPL - non-current		\$ 125,980		\$ 125,980
	Blue Rain Capital Co., Ltd. and other stocks		Financial assets at FVTOCI - non-current		\$ 27,710	3.36	\$ 27,710
CMC Entertainment	Stock of Mandarin Vision Co., Ltd.		Financial assets at FVTOCI - non-current		\$ 2,178		\$ 2,178

Notes 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".

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

CMC Magnetics Corporation

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

January 1 to December 31, 2023

Table 3

Unit: NT\$ thousands
(Unless Specified Otherwise)

Securities held by	Type and Name of Securities (Note 1)	Relationship with Securities Issuer	General Ledger Account	End of Period			Remarks
				Number of Shares	Carrying Amount (Note 2)	Shareholding Percentage (%)	
Deltamac (Taiwan)	Common stock of Self Pick Inc.		Financial assets at FVTOCI - non-current	500,000	\$ 575	6.25	\$ 575
Transtouch	Cathay United American Multiple Income Balanced Fund		Financial assets at FVTPL - current		\$ 38,453		\$ 38,453
	Taiwan Cement Corp. 2nd Preferred Shares		"		19,320		19,320
					\$ 57,773		\$ 57,773
	Privately offered fund—First Financial–UBS Global Real Estate Private Equity Securities Investment Trust Fund		Financial assets at FVTPL -non-current		\$ 9,693		\$ 9,693
	Ordinary shares of Chunghwa Telecom Co., Ltd		Financial assets at FVTOCI - non-current		\$ 90,042		\$ 90,042
EMC H	CDIB Yida Private Equity (Kunshan) Biomedical Equity Investment Fund		Financial assets at FVTOCI - non-current		\$ 36,321		\$ 36,321
Fortune (Jiangsu)	CDIB Yida Private Equity (Kunshan) Investment Fund		Financial assets at FVTOCI - non-current		\$ 49,903		\$ 49,903
Electronic							

Notes 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".

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

CMC Magnetics Corporation
 Marketable Securities Acquired or Sold Amounting to at Least NT\$300 Million or 20% of the Paid-in Capital
 January 1 to December 31, 2023

Table 4

Unit: NT\$ thousands
 (Unless Specified Otherwise)

Trading Company	Types of securities Name (Note 1)	General Ledger Account	Counterparty (Note 2)	Relationship (Note 2)	Beginning of the period (Note 3)		Acquired (Note 4)		Sold (Note 4)			End of term (Note 6)		Remarks	
					Number of Shares (Thousand Shares)	Amount	Number of Shares (Thousand Shares)	Amount	Number of Shares (Thousand Shares)	Selling Price	Book Cost	Gains or Losses on Disposal	Number of Shares (Thousand Shares)		Amount
CMC	Stock of Taiwan High Speed Rail Corporation	Financial assets at FVTPL - current and non-current	-	-	99,367	\$3,099,082	35,623	\$ 1,060,444	18,002	\$ 538,748	\$ 558,810	(20,062)	116,988	\$ 3,591,532	
"	Evergreen Marine Corporation Stock	"	-	-	6,212	1,326,665	8,162	916,407	5,097	635,577	795,807	(160,230)	9,277	1,331,250	
"	Stock of Yang Ming Marine Transport Corporation	Financial assets at fair value through profit or loss - current	-	-	10,459	777,282	19,023	911,877	14,235	699,912	823,061	(123,149)	15,247	782,171	
"	Stock of Silicon Integrated Systems Corp.	"	-	-	-	-	23,391	1,057,418	12,598	546,752	542,469	4,283	10,793	492,161	
"	Stock of Chung Hsin Electric & Machinery Manufacturing Corporation	"	-	-	150	9,680	5,054	444,282	5,204	479,276	453,962	25,314	-	-	
CHC	Stock of Taiwan High Speed Rail Corporation	Financial assets at FVTPL - current and non-current	-	-	25,739	849,511	17,160	521,585	3,473	102,523	111,739	(9,216)	39,426	1,210,378	
"	Stock of Taiwan Semiconductor Manufacturing Co., Ltd.	Financial assets at fair value through profit or loss - current	-	-	340	156,895	640	342,371	980	503,708	499,266	4,442	-	-	
"	Stock of MediaTek Inc.	"	-	-	158	103,480	814	574,680	972	667,005	678,160	(11,155)	-	-	
"	Evergreen Marine Corporation Stock	"	-	-	1,052	170,259	14,407	2,136,816	15,032	2,158,228	2,258,478	(100,250)	427	61,275	
"	Stock of Yang Ming Marine Transport Corporation	"	-	-	1,744	111,330	11,395	633,323	13,139	737,047	744,653	(7,606)	-	-	
"	Stock of Silicon Integrated Systems Corp.	"	-	-	-	-	9,132	364,694	8,042	335,740	314,955	20,785	1,090	49,704	
SuperNet	Stock of Sands China Limited	Financial assets at fair value through profit or loss - current	-	-	258	25,407	13,353	1,412,418	12,843	1,349,771	1,367,121	(17,350)	768	69,042	Note 7

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

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

Notes 3: The initial amount is the original investment cost.

Notes 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.

Notes 5: 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.

Notes 6: The year-end amount includes unrealized gains or losses on valuation.

Notes 7: This is the exchange rate evaluation as of the end of December 31, 2023.

CMC Magnetics Corporation
Total Purchases from or Sales to Related Parties Amounting to at least NT\$100 Million or 20% of the Paid-in Capital
January 1 to December 31, 2023

Table 5

Unit: NT\$ thousands
(Unless Specified Otherwise)

Companies engaged in the purchase (sale) of goods	Counterparty	Relationship	Transaction				Situation and Reason that Transaction Conditions are Different from General Ones (Note 1)		Notes/Account Receivable (Payable)		Remarks (Note 2)
			Purchase (Sale)	Amount	Proportion to Total Purchases (Sales)	Credit Period	Unit Price	Credit Period	Balance	Proportion to Total Notes/Account Receivable (Payable)	
CMC	Fortune (Jiangsu) Multimedia	Subsidiary of sub-subsidiary	Sale	\$ 169,337	6%	As it is between parent and sub-subsidiary, the credit period is slightly longer than that of general customers	Equivalent to non-related party	As it is between parent and sub-subsidiary, the credit period is slightly longer than that of general customers	\$ 67,776	7%	
"	VJP	Sub-subsidiary	Sale	767,529	25%	No significant difference from general transactions	"	No significant difference from general transactions	349,221	38%	
"	VUS	Subsidiary of sub-subsidiary	Sale	482,053	16%	"	"	"	182,400	20%	
"	VGmbH	Sub-subsidiary	Sale	297,031	10%	"	"	"	101,328	11%	

Notes 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.

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

CMC Magnetics Corporation

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

December 31, 2023

Table 6

Unit: NT\$ thousands
(Unless Specified Otherwise)

Company under Account Receivable	Counterparty	Relationship	Balance of Account Receivable from Related Parties (Note 1)	Turnover Rate (Times)	Overdue Receivables from Related Parties		Recovered Amount from Related Party After Balance Sheet Date	Loss allowance provided
					Amount	Response Method		
CMC	VJP	Sub-subsidiary	\$ 349,221	2.31	\$ 154,119	Strengthening Collection	\$ 106,577	\$ -
"	VUS	Subsidiary of sub- subsidiary	182,400	2.73	2,616	Strengthening Collection	59,775	-
"	VGmbH	Sub-subsidiary	101,328	2.43	-	-	29,954	-
"	Sun Well Solar	Subsidiary (Note 3)	1,095,178	Note 2	-	-	-	1,095,178
EMC H	Fortune (Jiangsu) Multimedia	Sub-subsidiary	207,744	Note 2	-	-	-	-
"	CMC	Ultimate parent company	300,909	Note 2	-	-	-	-

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

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

Notes 3: The company has been dissolved and liquidated as resolved by the shareholders' meeting in 2023.

CMC Magnetics Corporation
Business Relations and Important Transactions Between Parent Company and Subsidiaries and Among Subsidiaries and Amounts
January 1 to December 31, 2023

Table 7

Unit: NT\$ thousands
(Unless Specified Otherwise)

No. (Note 1)	Company	Counterparty	Nature of Relationship (Note 2)	Transaction Details			Account for total revenue or total assets Ratio (Note 3)
				General Ledger	Amount (Note 6)	Transaction Conditions	
0	CMC	Fortune (Jiangsu) Multimedia	1	Sale	\$ 169,337	Note 4	2.29%
"	"	"	1	Accounts receivable	67,776	Note 4	0.27%
"	"	VJP	1	Sale	767,529	Note 4	10.39%
"	"	"	1	Accounts receivable	349,221	Note 4	1.37%
"	"	VUS	1	Sale	482,053	Note 4	6.53%
"	"	"	1	Accounts receivable	182,400	Note 4	0.72%
"	"	VGmbH	1	Sale	297,031	Note 4	4.02%
"	"	"	1	Accounts receivable	101,328	Note 4	0.40%
1	EMC H	Fortune (Jiangsu) Multimedia	1	Other receivables	207,744	Note 5	0.81%
"	"	CMC	2	Other receivables	300,909	Note 5	1.18%

Notes 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.

Notes 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

Notes 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.

Notes 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.

Notes 5: Accounts receivable loans and payments.

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

CMC Magnetics Corporation
Information on Name and Location of Investees (Excluding Investees in Mainland China)
January 1 to December 31, 2023

Table 8

Unit: NT\$ thousands
(Unless Specified Otherwise)

Investor	Name of Investee (Notes 1 and 2)	Location	Principal Business	Original Investment Cost		Shares Held at the End of Period			Profit or Loss on Investee (Note 2 (2))	Investment Gains or Losses Recognized for Current Period (Note 2 (3))	Remarks
				End of Current Period	End of Last Year	Number of Shares	Percentage (%)	Carrying amount			
CMC	EMC H	Cayman Islands	Professional investment company	\$ 10,453,855	\$ 10,453,855	61,527	100.00	\$ 3,239,402	(\$ 245,638)	(\$ 245,638)	Subsidiary of the Company
"	CIA	Cayman Islands	Professional investment company	872,018	872,018	29,688,245	86.35	433,227	(10,357)	(8,943)	"
"	CHC	Taiwan	Investment in various production businesses	180,421	180,421	261,595,273	100.00	3,662,453	634,945	634,945	"
"	CMC Entertainment	Taiwan	Film production and distribution industry	714,888	714,888	18,956,000	100.00	165,986	(10,093)	(10,093)	"
"	Transtouch	Taiwan	Production and sales of touch panels and other products	509,721	515,768	15,173,223	51.99	335,612	(9,833)	(5,458)	"
"	Deltamac (Taiwan)	Taiwan	Sales of audio-visual CD products	377,635	377,635	14,892,015	38.91	157,811	(18,379)	(6,259)	"
"	CMC Entertainment Hub	Taiwan	Shopping mall business	260,000	260,000	13,300,000	100.00	36,891	(17,479)	(17,479)	"
EMC H	F5	U.S.	Professional investment company	3,591,096	3,591,096	23,064	100.00	965,927	(242,478)	-	- Sub-subsidiary of the Company (Note 3)
"	MFLLC	U.S.	Professional investment company	1,283,980	1,283,980	-	100.00	283,536	6,987	-	"
"	Jet-Thai	Thailand	Production and sales of optical discs	3,695,664	3,695,664	43,500,400	100.00	17,773	(491)	-	"
"	VJP	Japan	Trading of storage media and electronic products	16,368	16,368	5,900	100.00	7,864	(31,150)	-	"
"	VAU	Australia	Trading of storage media and electronic products	411,105	411,105	100,000	100.00	331,806	(168)	-	"
"	VGmbH	Germany	Trading of storage media and electronic products	731,912	731,912	-	100.00	967,661	36,686	-	"
"	VHK	Hong Kong	Trading of storage media and electronic products	154,050	144,364	4,045,500	100.00	134,204	(2,737)	-	"
"	Others	Others		-	-	-	-	(7,928)	-	-	Note 3

CMC Magnetics Corporation
Information on Name and Location of Investees (Excluding Investees in Mainland China)
January 1 to December 31, 2023

Table 8

Unit: NT\$ thousands
(Unless Specified Otherwise)

Investor	Name of Investee (Notes 1, 2)	Location	Principal Business	Original Investment Cost		Shares Held at the End of Period			Profit or Loss on Investee (Note 2 (2))	Investment Gains or Losses Recognized for Current Period (Note 2 (3))	Remarks
				End of Current Period	End of Last Year	Number of Shares	Percentage (%)	Carrying amount			
F5	VUS	U.S.	Trading of storage media and electronic products	\$ 1,418,407	\$ 1,418,407	-	100.00	\$ 969,588	(\$ 240,517)	\$ -	Subsidiary of F5, sub-subsidiary of the Company (Note 3)
VUS	Vexus	U.S.	Trading of storage media	3	3	-	100.00	3	-	-	Subsidiary of F5, sub-subsidiary of the Company (Note 3)
CIA	SuperNet	British Virgin Islands	Professional investment company	577,337	577,337	5,720,085	100.00	448,887	(9,235)	-	Sub-subsidiary of the Company (Note 3)
"	Others	Others		-	-	-	-	77,858	-	-	Note 3
CHC	CIA	Cayman Islands	Professional investment company	111,185	111,185	4,692,049	13.65	99,786	(10,357)	-	Subsidiary of the Company (Note 3)
"	Vie Show Cinemas	Taiwan	Operation and management of cinemas, restaurants, and amusement parks	74,015	74,015	29,962,500	29.96	220,116	120,294	-	Investee measured using the equity method by CHC, subsidiary of the Company (Note 3)
"	Others	Others		-	-	-	-	42,346	-	-	Note 3

Notes 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.

Notes 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.

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

CMC Magnetics Corporation
Information on Investments in Mainland China - Basic Information
January 1 to December 31, 2023

Table 9

Unit: NT\$ thousands
(Unless Specified Otherwise)

Name of Investee in China (Note 4)	Principal Business	Paid-in Capital	Investment Method (Note 1)	Accumulated Investment Remitted from	Amount of Investment Remitted or Recovered in Current Period		Accumulated Investment Remitted from Taiwan, End of Period	Current Profit or Loss on Investee	The Company's Direct or Indirect Ownership (%)	Investment Gains (Losses) Recognized for Current Period (Note 2)	Carrying Amount of Investment, End of Period	Accumulated Repatriation of Investment Income as of End of Period	Remarks
				Taiwan, Beginning of Period	Remitted to Mainland China	Remitted back to Taiwan							
Fortune (Jiangsu) Multimedia Co., Ltd.	Production and sales of optical discs	\$ 1,345,476	2	\$ 1,345,476	\$ -	\$ -	\$1,345,476	\$ 7,799	97.00	\$ 7,565	\$ 295,909	\$ -	Note 2 (2)B
Fortune (Jiangsu) Electronic Materials Co., Ltd.	Production and sales of plastic boxes, boxes, baskets, and similar products	531,053	2	531,053	-	-	531,053	1,254	100.00	1,254	113,776	-	"
Nantong Zhongxing Multimedia Co., Ltd.	Production and sales of optical discs	35,678	2	35,678	-	-	35,678	(51)	49.00	(25)	7,858	-	"
Sun Biotech Limited (Nantong)	R&D and wholesale of biological probiotics	14,786	2	14,786	-	-	14,786	(2,017)	50.00	(1,009)	-	-	"

Company Name	Accumulated Outward Remittance for Investment in Mainland China, End of Period	Investment Amount Authorized by Investment Commission, MOEA	Limit on Investment Amount Stipulated by Investment Commission, MOEA
CMC Magnetics Corporation	\$ 2,722,590	\$ 4,052,335	\$ 11,291,708

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

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

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

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

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

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

CMC Magnetics Corporation
Information on Major Shareholders
December 31, 2023

Table 10

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

Notes 1: The information on major shareholders in this table is calculated by the Taiwan Depository & Clearing Corporation based on the last business day of each quarter, and includes the total number of common shares and preferred shares held by shareholders that have completed non-physical registration and delivery (including treasury shares), which accounts for more than 5% of the total shares. However, there may be differences between the recorded share capital in the company's financial reports and the actual number of shares that have completed non-physical registration and delivery, due to different calculation bases or other factors.

Notes 2: The above information, if it belongs to a shareholder, will be delivered to the trust through the transfer of shares. The details of the trust accounts opened by the trustee for the individual shareholders are disclosed. As for shareholders who declare their shareholding rights as insiders exceeding 10% in accordance with securities trading regulations, their shareholding includes their own shares as well as the shares held in trust and the voting rights over the trust assets. For information on the declaration of insider shareholding rights, please refer to the Public Information Observation Station.

- VI. The Impact on the Company's Financial Status Due to the Company or Its Affiliates' Encounter of Financial Turnover Difficulties
None.

Chapter VII Management's Discussion and Analysis of Financial Condition and Risk Factors

I. Financial Status

(I) Comparative table of financial condition:

Consolidated Balance Sheets

Unit: NT\$ Thousand

Item \ Year	2022	2023	Difference		
			Amount	%	Description
Current assets	13,280,065	14,452,219	1,172,154	9%	
Long-term investment ^{Note 1}	3,841,171	5,265,129	1,423,958	37%	1
Property, plant and equipment	4,332,671	3,917,081	(415,590)	(10%)	
Other Assets	1,961,422	1,860,001	(101,421)	(5%)	
Total Assets	23,415,329	25,494,430	2,079,101	9%	
Current liabilities	3,715,716	3,280,340	(435,376)	(12%)	
Non-current liabilities	2,833,171	3,394,576	561,405	20%	2
Total Liabilities	6,548,887	6,674,916	126,029	2%	
Share capital	10,893,483	10,893,483	0	0%	
Capital surplus	6,714,779	6,720,506	5,727	0%	
Retained earnings	(744,895)	968,382	1,713,277	(230%)	3
Total Equity	16,866,442	18,819,514	1,953,072	11.6%	
Description on the analysis of the increase and decrease of the proportion change: the change ratio is less than 20% and the absolute amount is less than \$10,000,000, which will not be analyzed.					

Note 1: Long-term investment includes non-current financial assets measured at fair value through profit and loss, non-current financial assets measured at fair value through other comprehensive profits and losses, non-current financial assets measured at amortized cost and investment under the equity method.

(II) Description on financial difference analysis:

1. Due to an increase in investment valuation gains, long-term investments have increased compared to the previous fiscal year.
2. The increase of long-term borrowing in the period led to the increase of non-current liabilities over the previous year.
3. Due to increased gains from the disposal and valuation of investment targets, retained earnings have increased compared to the previous year.

II. Financial Performance

(I) Comparative table of financial performance:

Consolidated Statements of Comprehensive Income

Unit: NT\$ Thousand

Item \ Year	2022	2023	Change, by Amount	Change (%)	Description
Sales Revenue	7,692,376	7,384,447	(307,929)	(4)	
Operating costs	(6,227,115)	(5,724,229)	502,886	(8)	
Gross Profit	1,465,261	1,660,218	194,957	13	
Operating Expenses	(1,995,106)	(2,005,968)	(10,862)	1	
Net Operating Profit (Loss)	(529,845)	(345,750)	184,095	(35)	1
Non-operating income and expenses	(406,627)	2,149,720	2,556,347	(629)	2
Net profit (loss) before tax	(936,472)	1,803,970	2,740,442	(293)	2
Income tax (expense) profit	(146,424)	(44,733)	101,691	(69)	
Net profit (loss) for the ongoing operating business unit	(1,082,896)	1,759,237	2,842,133	(262)	
Loss from Discontinued Operations	0	0	0	-	
Net Profit (loss)	(1,082,896)	1,759,237	2,842,133	(262)	
Other comprehensive income (loss) for the year	315,445	185,792	(129,653)	(41)	
Total comprehensive income for the year	(767,451)	1,945,029	2,712,480	(353)	
Equity attributable to owners of parent company in current period	(1,077,677)	1,750,238	2,827,915	(262)	
Comprehensive equity attributable to owners of parent company in current period	(759,878)	1,933,395	2,693,273	(354)	

(II) Financial performance analysis:

1. Due to the enhancement of cost and expense control mechanisms, there has been an increase in gross operating profit and a reduction in operating losses.
2. Due to increased gains from the disposal and valuation of investment targets have led to an increase in non-operating income and pre-tax net profit.

III. Cash Flow

(I) Analysis on changes in cash flow in recent years

Unit: NT\$ Thousand

Item \ Year	2022	2023	Increase (decrease) ratio
Cash Flow Ratio (%)	N/A	21.08	N/A
Cash Flow Adequacy Ratio (%)	N/A	N/A	N/A
Cash Reinvestment Ratio (%)	N/A	2.12	N/A

Description on Cash Flows:
The financial structure of the Company is stable, the debt ratio at the end of the period is 26%. As for the cash reinvestment, since the industry has reached a mature stage, the Company adopted a prudent and conservative strategy and actively sought opportunities for transformation.

Note: The above table analysis description is based on the consolidated financial statements of the Company.

(II) Analysis of cash liquidity for the upcoming year

Unit: NT\$ Thousand

Cash balance amount at the beginning of the year (1)	Net cash provided by operating activities (2)	Cash flow from Investment & financing inflow (outflow) activities throughout the year (3)	Amount of cash flow balance (insufficiency) (1)+(2)+(3)	Measures for managing cash deficit	
				Investment Plan	Financing Plan
1,168,756	200,972	-105,801	1,263,927	0	0

Analysis on cash flow in next financial year:
(1) In 2024, the Company will continue to optimize its product structure, increase the proportion of sales of high-end products, and provide a full range of data storage solutions. Net cash from operating activities is expected to remain net positive.
(2) The Company has no major investment plans for 2024. The main purpose of operating cash is to support working capital, so as to maintain a stable financial structure.

Note: The above table analysis is based on the individual financial projections of the Company in the coming year.

IV. Effect on Financial Operations of Any Major Capital Expenditures during the Most Recent Fiscal Year

Annual capital expenditure of the Company was NT\$ 120 million in 2023, mainly used to improve the production equipment of high-grade products.

V. The Most Recent Annual Investment Transfer Policy, the Main Reason for Its Profit or Loss, Improvement Plan and Investment Plan for the Next Year

The Verbatim brand product line of the Group covers storage media products (optical discs, Flash, HDD) and peripheral accessories for consumer electronics. With a wide range of physical channels to sell its products, Verbatim will continue to strengthen its marketing strategy on e-commerce platforms and online channels to attract young consumers, enhance their recognition of the brand, and expand into new markets. In addition to the development of our own business, CMC Magnetics is also actively engaged in a number of strategic investments, including investments in the Internet of Things and electric vehicle industries, and will continue to deepen its layout and seek opportunities to develop new businesses through diversified investments.

VI. Analysis and Assessment of Risk Issues in the Most Recent Year and up to the Date of Publication of the Annual Report

(I) Organizational structure of risk management:

The management of the Company's various risks is handled by the relevant units according to the nature of its business. The Board of Directors is the highest decision-making body for responding to and handling various risks. The audit unit reviews the existing or potential risks of each operation, and plans to implement a risk-oriented annual audit plan.

Aspect of Consideration	Items of major risk	Risk management authority unit	Influence of impact	Response measures
Environmental	Environmental risk	Human Resources Office	This risk, when occurring, will affect the Company's continuous operation, and even lead to production interruption and loss of personnel and property.	Implement daily security awareness and drills, get familiar with the rescue process, make inspection afterwards to prevent recurrence, and establish a disaster recovery plan to restore production in the shortest time.
Social	Human resource management risk		This risk, when occurring, may cause delays in shipments and delays in product production and replacement personnel, and result in a negative impact on the Company's operations.	Strengthen healthy and safe workplaces, pay attention to environment and personnel management, and perform training on occupational safety knowledge and mechanical protection operations. Strengthening infectious disease prevention measures, including access control at factories, incident response measures, factory disinfection, employee self-health management and health checkups, pandemic reporting mechanism and hospitalization mechanism, and inspection and storage of quarantine supplies
Corporate Governance	Production capacity risk – Insufficient order, and delay in	Procurement Office Photoelectric Product Business Group	Single suppliers of raw material supplier and production equipment may cause the risk of interruption of supply of	The Company will avoid exclusive suppliers of raw materials, and foreign suppliers will be required to set up agents or warehouses in Taiwan to

Aspect of Consideration	Items of major risk	Risk management authority unit	Influence of impact	Response measures
	<ul style="list-style-type: none"> supply of materials – Adjustment of production equipment, and quality control – Natural disasters of force majeure 		materials or instability in operation and production.	avoid affecting production due to insufficient supply. Implement quality system management, regularly confirm production capacity, and provide customer service that can satisfy customers to minimize risks.
Corporate Governance	<p>Market Risks</p> <ul style="list-style-type: none"> – New product development, new customer development – Competitor action, product price changes 	Research & Development Center Photoelectric Product Business Group	Customers are too concentrated, rapid change is required, competition among peers is fierce, and the demand for advanced manufacturing processes continues to increase.	It will actively develop diversified products and customer groups in line with customer needs to diversify business concentration risks.
	<p>Information risk</p> <ul style="list-style-type: none"> – The information system is not working properly – Network security control and protection 	Information Technology Office	Any loss of data will affect the normal operation of the individual; in the serious case, it will damage the Company's reputation and cause the loss of operation.	Strengthen information security management and employee law-abiding concepts, and reinforce the Company's computer system backup, encryption capabilities and dedicated management measures; implement employee education and training to avoid the risk of loss of important information.
	Litigation and non-litigation matters	Legal Office	The Company has to pay huge expenses, resulting in increased operating costs.	Minimize possible losses due to claims and litigation of intellectual property rights, strengthen the Company's intellectual property rights portfolio, obtain defensive and offensive intellectual property rights for the Company's technology immediately, and continue to strengthen employees' basic legal awareness through education and training.
	Interest rates, exchange rates, and financial risks	Finance Accounting Investment Office General Manager Office	Changes in interest rates and exchange rates will increase the uncertainty of the Company's operating profit.	By identifying and assessing market risks, for the purpose of avoiding risks, the Company manufactures derivative products to avoid risks in interest rate, exchange rate and finance risks.
	Investment, re-investment and M&A benefits	Finance Accounting Investment Office General Manager Office General Manager Office	Due to the impact of slowdown in economic growth and the economic downturn, investment losses occurred.	The Company's reinvestment are all long-term strategic investments, and the reinvestment plans will continue to be carefully evaluated in the future.

(II) Interest rate, exchange rate changes, the impact of inflation on the Company's profit and loss, as well as corresponding measures to be taken in the near future:

The financial department of the Company conducts evaluation and analysis on the Company's overall risk location, including exchange rate and interest rate risk, and existing transactions, based on the international political and economic situation. In accordance with the principle of conservative and

stable, the net part of natural hedging is used as a hedge trade. The hedging instruments include pre-purchase/ pre-sale forward foreign exchange, option, exchange and combination of derivative products, which are handled according to Company regulations. The procedure has been implemented and regularly announced.

Please refer to note 12(2) financial instruments of the consolidated financial statements of this annual report.

- (III) The policy of engaging in high-risk, high-leverage investment, fund lending with others, endorsement guarantees and derivative commodity transactions, the main reasons for profit or loss and future corresponding measures:

The Company's financial operations are based on the principle of conservative and stability, and do not engage in high-risk, high-leverage investment related activities; the derivative commodity trading contracts (see the Company's consolidated financial statements), mainly for the avoidance of profits, exchange rate changes. The resulting risks, their benefits, the benefits of exchange rate changes will generally be offset against the profits and losses of the hedged items, in order to achieve the purpose of hedging.

The purpose of the fund loan and other people's and endorsement guarantees is to conduct the review and risk assessment according to the specifications of the Company's "finance loan and endorsement guarantee operation procedures".

All of the above are handled in accordance with the procedures set by the Company and approved by the Board of Directors. The Company also has a fulltime audit department to regularly check the operating procedures of relevant departments to ensure that there are no high-risk, high-level investment related activities.

- (IV) Future R&D projects and intended project expense:

The estimated future investment in research and development is estimated to account for 3.5% of the revenue in 2024. Please refer to page 90 of this annual report for the planned research and development plans.

- (V) The impact of important policies and laws at home and abroad on the Company's financial business and the corresponding measures: None.

- (VI) Effect on the company's financial operations of developments in science and technology (including cyber security risks) as well as industrial change, and measures to be taken in response:

1. Effect on the Company due to developments in science and technology and measures to be taken in response

- (1) Trends in technological advancement:

- A. The demand for high-definition video and audio materials has grown.
- B. Long-term data preservation market.
- C. Environmental protection trends.
- D. Cloud and long-distance storage.

(2) Response measures of the Company:

- A. In recent years, Full HD, 3D movies and even the latest 4K audio and video demand, the use of high-capacity high-end optical discs as storage media is currently the best choice, its main feature is to continue to expand storage capacity, whether it is a single layer (25GB), double Layer (50GB) or three layers (100GB) can meet the needs of various types of high-definition audio and video capacity, and the Company is currently continuing to develop and promote various high-end products.
- B. Either NandFlash, HDD or Tape all have the shortcomings of long-term preservation of information. The public institutions in the United States, France, Japan, South Korea and China have begun to use CDs as a medium for long-term preservation of important data. How to further increase the capacity and extend the data storage period, and develop the file-level optical disc, which is the goal we have jointly developed with the optical disc manufacturer. This market development trend is also the direction that the Company's business pays close attention to; the Company's high-end products have passed the German Rheinland certification. Laboratory data long-term preservation ability test, estimated to last for 50 years, is the only optical disc manufacturer outside the Japanese disc factory to pass this certification, technical ability and Japanese disc manufacturers.
- C. The goal of energy saving and carbon saving has become the focus of the research, development, sales and development of enterprises. Currently, all kinds of storage media, CD-ROM is the most energy-saving and lowest carbon dioxide storage media in use, fully in line with the global energy-saving and carbon-reducing environmental trends; the Company's leading global disc manufacturers, the first to complete the carbon footprint certification, with practical proof of the Company's intentions for the global environment. In addition, in effort to respond towards global environmental awareness, CMC continues to use environmentally friendly designs on the appearance or packaging of the products. The optical disc products will become the most friendly products for the global environment in all storage media.
- D. In recent years, 5G technologies and hardware equipment have progressively improved, driving more high-speed, low-latency IOT devices. Meanwhile, the capacity and computing requirements of the data center have doubled, resulting in the development of data centers toward miniaturization and terminalization. By complementing terminal data centers with resources of public and private clouds, the computing complexity of the huge data center in the past has been reduced and gradually decrease the time and cost of data conversion.

Notably, regional data centers can flexibly match storage media according to data types. The Company's high-capacity archival optical discs are characterized by low energy consumption and long storage life, coupled with the characteristics of optical disc burning and the inability to tamper with data, making them suitable for the high security and high preservation requirements of government agencies, national defense, courts, finance, and medical care. Regional data centers only need to connect with archival optical disc database in series to enable long-term backup and archival of cold data, essentially lowering the operational cost and energy consumption of the data centers.

2. Information security risks and response measures

In order to fortify the defense against ever-changing cyber-attack incidents, on top of conducting regular checks on the security of the firewall, updates to the anti-virus software library, and back up of data in different locations, the Company also schedules the disaster recovery drills every year to ensure back up mechanisms are functioning well and can meet system recovery goals.

Information security management measures for the Company are as follows:

Account and authority authorization management	<ul style="list-style-type: none"> ➤ Personnel account authority management and audit ➤ Regular change of personnel passwords
Access to internal/external resources and data transfer control	<ul style="list-style-type: none"> ➤ Internal/external network connectivity and access control mechanisms ➤ Restrictions on computer software installation
Virus attack protection	<ul style="list-style-type: none"> ➤ Host and computer vulnerability detection/regular scans/regular updates to virus library ➤ Firewall intrusion detection / virus / malware protection ➤ Web isolation
System and service disruption prevention	<ul style="list-style-type: none"> ➤ Local/offsite data backup measures, local/offsite server room backup ➤ Conduct ad hoc disaster recovery drills
Email safety management	<ul style="list-style-type: none"> ➤ Email archive management ➤ Email virus protection and malware detection ➤ Protection against malicious email links to prevent phishing ➤ Junk mail filter

(VII) The impact of corporate image change on corporate crisis management and response measures:

The Company is listed on the Taiwan Stock Exchange, managed and supervised by competent authorities, abide by the laws and regulations, and upholds the business philosophy of integrity, law-abiding and social

responsibility, and maintains good relations with customers, investors and employees. There is no change in quality, but in order to avoid irresistible external factors during the business operation and affect the reputation of the Company, the Company's crisis management mechanism is convened by the General Manager, and the senior directors of each unit act as members of the contingency project team. The team was able to take the necessary measures as soon as possible to ensure the safety of employees and the environment, while ensuring that the Company's operations were normal, in order to maintain corporate image and protect the Company's rights and interests.

- (VIII) Expected benefits and possible risks of the merger and the corresponding measures: None.
- (IX) Expected benefits and possible risks of the expansion of the plant and corresponding measures: None.
- (X) Risks and countermeasures for the concentration of incoming goods or sales: None.
- (XI) Directors, Supervisors or shareholders holding more than 10% of the shares, the impact of a large number of shares transferred or replaced on the Company and the risks and corresponding measures: None.
- (XII) The impact of changes in management rights on the Company and its risks and corresponding measures: None.
- (XIII) Litigation or non-litigation incidents:
 - 1. The Company is still in a major lawsuit in the department, non-litigation or administrative litigation: None.
 - 2. The Directors, Supervisors and shareholders of the Company with a shareholding ratio of more than 10% are currently in the middle of the system. Major litigation, non-litigation or administrative litigation, the result may be significant to shareholders' equity or securities prices influencer: None.
- (XIV) Other important risks and corresponding measures: None.

VII. Other Important Matters

- (I) Disclosure of information on financial product: For fair value information, please refer to note 12(3) of the consolidated financial statement of the annual report.
- (II) Adopting hedge accounting and its objectives and methods: The Company's financial products (including derivative financial products) do not comply with the hedge accounting, not applicable.

Chapter VIII Special Remarks

I. Information related to the Company's Affiliate

(I) Report on consolidated operation of related enterprises

CMC Magnetics Corporation

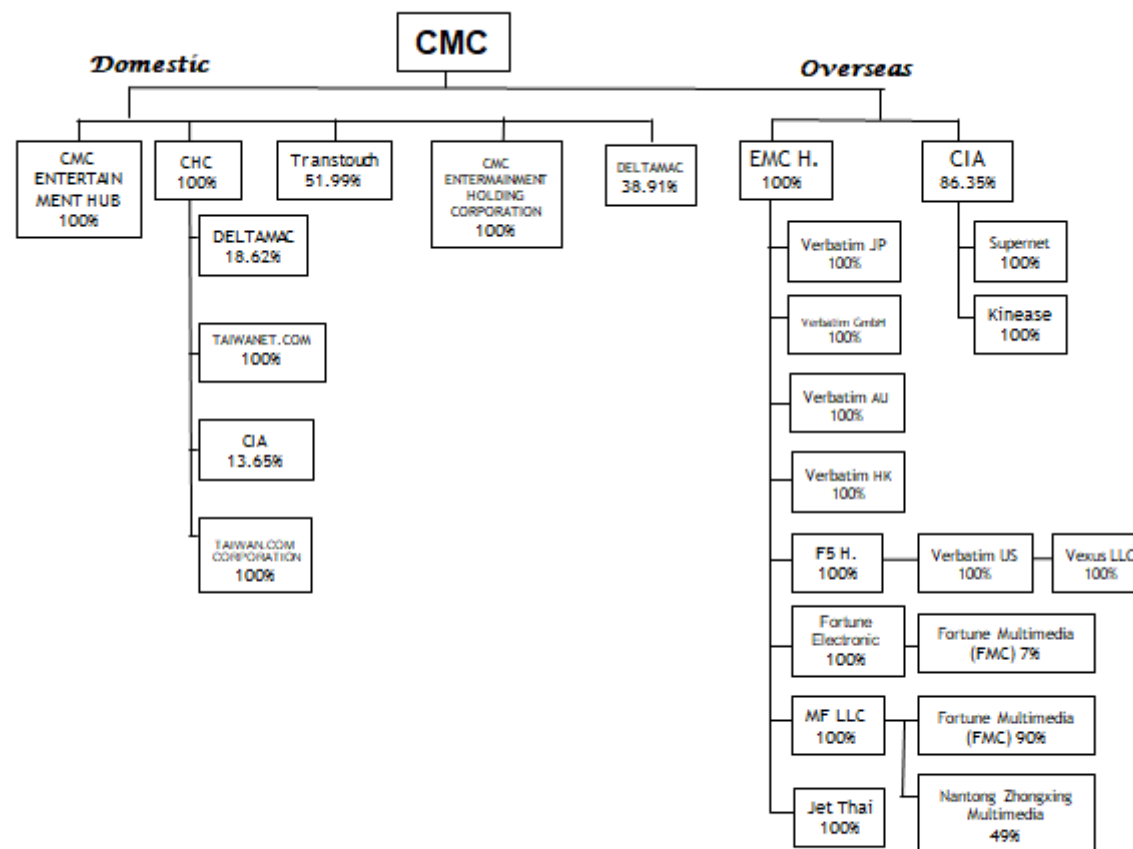
Business report on merger of related enterprises for 2023

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I. Information of the Company's affiliates

(I) Organizational chart of the Company's affiliates



(II) Basic information of the Company's affiliates

Unit: NT\$ Thousand

Company Name	Establishment date	Address	Paid-in Capital	Major Lines of Business or Products
Deltamac (Taiwan) Co., Ltd.	1995/07/19	10th floor, 53 Ming Chuan W. Road, Taipei	382,737	Manufacturing, distribution, lease and sale of VCD products
CHC International Investment Corporation	1995/08/10	15th, Fl., No.53, Ming Chuan W. Road., Taipei, Taiwan, R.O.C.	2,615,953	General investment business
CMC ENTERTAINMENT HOLDING Corp.	1997/12/17	15th, Fl., No.53, Ming Chuan W. Road., Taipei, Taiwan, R.O.C.	189,560	Film production and distribution industry
TAIWANET.COM Corp.	1999/05/17	15th, Fl., No.53, Ming Chuan W. Road., Taipei, Taiwan, R.O.C.	3,000	Provision of electronic information
TAIWAN.COM Corp.	1999/05/18	16/F, 53 Ming Chuan W. Road, Taipei	1,000	Internet service
Transtouch Technology Inc.	2000/11/27	1-6/F, No. 50, Huayasan 3rd Road, Qiushan District, Taoyuan City	291,859	Production and sales of touch panels
CMC ENTERTAINMENT HUB Corp.	2015/03/06	15th, Fl., No.53, Ming Chuan W. Road., Taipei, Taiwan, R.O.C.	133,000	Amusement Park business
EMC Investment Holding Ltd.	1997/01/29	Cayman Islands	1,889	General investment business
CIA Holding Corp.	2002/05/23	Cayman Islands	1,055,647	General investment business
Super Net Holding Ltd.	1999/06/04	British Virgin Islands	175,635	General investment business
Kinease Investment Ltd.	2005/08/12	British Virgin Islands	-	Development of real estate
F5 Holdings Ltd.	2000/12/11	Delaware, USA	708	General investment business
Media Factory LLC	2002/04/19	Wyoming, USA	1,319,873	General investment business
Fortune (Jiangsu) Multimedia Co., Ltd.	2002/07/01	No. 15 Yongxing Road, Nantong City, Jiangsu Province	3,151,313	Production and marketing of optical discs
Fortune (Jiangsu) Electronic Materials Co., Ltd.	2002/10/22	No. 15 Yongxing Road, Nantong City, Jiangsu Province	71,670	Production and sales of plastic cases, boxes, baskets and similar products

Company Name	Establishment date	Address	Paid-in Capital	Major Lines of Business or Products
Nantong Zhongxing Multimedia Co., Ltd.	2005/07/06	No. 15 Yongxing Road, Nantong City, Jiangsu Province	77,030	Production and marketing of optical discs
Verbatim Australia Pty. Ltd	1980/08/01	Victoria, Australia	2,100	Trading of storage media and electronic products
Verbatim (Hong Kong) Limited	1984/07/31	Hong Kong	154,315	Trading of storage media and electronic products
Verbatim GmbH	2004/11/24	Eschborn, Germany	870	Trading of storage media and electronic products
Verbatim Americas LLC	2007/08/01	North Carolina, USA	1,981,230	Trading of storage media and electronic products
Verbatim Japan Ltd.	2019/07/22	Tokyo, Japan	12,862	Trading of storage media and electronic products
Vexus LLC	2022/10/04	Delawarw ,USA	3	Trading of storage media products

(III) Shareholders presumed to have control and subordinate relationship with the same information: No such incident.

(IV) Industries covered by the overall business operation of the enterprise:

The manufacture and sales of the computer storage media, manufacturing and sales of electronic products, businesses related to film/video production, distribution, lease and sales, disc rental business, commercial product trading business, general investment business, performing arts related business activities and film agency distribution business, electronic information supply service, food and beverage business, etc.

(V) Information of Directors, Supervisors and General Managers of related enterprises

Unit: Share

Company Name	Position	Name or Representative	Number of shares/capital contribution	Percentage of ownership/capital contribution
Deltamac (Taiwan) Co., Ltd.	Chairman	CHC International Investment Corporation	7,126,792	18.62%
	Director	Representative: Wu, Chao-Hung Representative: Lin, Kun-Ming Culture Convenience Club Co., Ltd	12,783,427	33.40%
	Independent Director	Representative: Tanabe Yuushi, Ryunosuke Hashimoto Huang, Jen-Yung, Lee, Mei-Lin, Chen, Kuan-Fu	0	0.00%
CHC International Investment Corporation	Chairman	CMC Magnetics Corporation Representative: Cheng, Tsung-An	261,595,273	100.00%
CMC ENTERTAINMENT HOLDING Corp.	Chairman	CMC Magnetics Corporation Representative: Chen, Chun-Wei	18,956,000	100.00%
TAIWANET.COM Corp.	Chairman	CHC International Investment Corporation Representative: Tseng, Yi-Wen	300,000	100.00%
TAIWAN.COM CORPORATION (Note)	Director	CHC International Investment Corporation Representative: Cheng, Tsung-An	NTD1,000,000	100.00%
Transtouch Technology Inc.	Chairman	CMC Magnetics Corporation Representative: Wong, Ming-Sen	15,173,223	51.99%
	Director	Representative: Yang, Ya-Hsiu; Tsai, Fu-Yuan Wangke International Co. Ltd	266,044	0.91%
	Director Director	Representative: Chen, Mao-Sheng Yang, Ming-Xian	0	0.00%

Company Name	Position	Name or Representative	Number of shares/capital contribution	Percentage of ownership/capital contribution
	Director	Yeh, Fang-Yu	9,667	0.03%
	Independent	Huang, Jen-Yung	0	0.00%
	Director			
	Independent	Chang, Tien-Shuang	0	0.00%
	Director			
	Independent	Chen, Kuan-Fu	0	0.00%
	Director			
CMC ENTERTAINMENT HUB Corp.	Chairman	CMC Magnetics Corporation Representative: Chang, Han-Feng	13,300,000	100.00%
EMC Investment Holding Ltd.	Director	CMC Magnetics Corporation Representative: Wong, Ming-Sen, Yang, Li-Jung	61,527	100.00%
	Director	Representative: Yang, Ya-Hsiu		
CIA Holding Corp.	Director	CMC Magnetics Corporation Representative: Wong, Ming-Sen	29,688,245	86.35%
Super Net Holding Ltd.	Director	CIA Holding Corporation Representative: Wong, Ming-Sen	5,720,085	100.00%
Kinease Investment Ltd.	Director	CIA Holding Corporation Representative: Wong, Ming-Sen	2	100.00%
F5 Holdings Ltd.	Director	EMC Investment Holding Ltd. Representative: Wong, Ming-Sen, Yang, Ya-Hsiu	23,064	100.00%
	Director	Representative: Yang, Li-Jung		
Media Factory LLC (Note)	Manager	EMC Investment Holding Ltd Representative: Wong, Ming-Sen, Yang, Li-Jung	USD42,985,600	100.00%
	Manager	Representative: Yang, Ya-Hsiu		
Fortune (Jiangsu) Multimedia Co., Ltd. (Note)	Chairman	Media Factory LLC Representative: Chang, Chia-Chieh	USD80,640,000	90.00%

Company Name	Position	Name or Representative	Number of shares/capital contribution	Percentage of ownership/capital contribution
	Director	Representative: Wong, Ming-Sen, Yang, Ya-Hsiu		
	Director	Representatives: Chou, Wei-Li, Huang, Ying-Yen		
	Supervisor	Representative: Chen, Ming-Chung		
		Fortune (Jiangsu) Electronic Materials Co., Ltd.	USD6,272,000	7.00%
	Director	Representative: Wu, Chao-Hung		
	Supervisor	Representative: Chen, Ming-Chung		
		Jiangsu Nantone EDZ	USD2,688,000	3.00%
	Director	Representative: Gu, Hua		
	Supervisor	Representative: Shih, Hsueh-Mei		
Fortune (Jiangsu) Electronic Materials Co., Ltd. (Note)	Chairman	EMC Investment Holding Ltd Representative: Huang, Ming-Yu	USD2,000,000	100.00%
	Director	Representative: Chang, Chia-Chieh; Tien, Min-Hsiung		
Nantong Zhongxing Multimedia Co., Ltd. (Note)	Chairman	Jiangsu Nantone EDZ Head Office Representative: Yao, Kuo-Cheng	USD1,122,000	51.00%
	Director	Head Office Representative: Su, Mei-Yun; Chi, Chung-Hua Media Factory LLC	USD1,078,000	49.00%
	Director	Representative: Pan, Wei-Wen; Huang, Ying-Yen		
Verbatim Australia Pty. Ltd	Director	EMC Investment Holding Ltd. Representative: Paul Johnson	100,000	100.00%
	Director	Representative: Chen, Chun-Wei, Huang, Ming-Yu		
Verbatim (Hong Kong) Limited (Note)	Director	EMC Investment Holding Ltd. Representative: Paul Johnson	HKD39,263,797	100.00%
	Director	Representative: Chen, Chun-Wei, Huang, Ming-Yu, Tsang Lung Sang		

Company Name	Position	Name or Representative	Number of shares/capital contribution	Percentage of ownership/capital contribution
Verbatim GmbH (Note)	Director Director Director Director	EMC Investment Holding Ltd. Representative: Clive Alberts Representative: Hussin Diraki Representative: Michel Blonk Representative: Chen, Chun-Wei, Huang, Ming-Yu	EUR25,565	100.00%
Verbatim Americas LLC (Note)	Director Director	F5 Holdings Ltd. Representative: Clive Alberts, Russell Sanders Representative: Chen, Chun-Wei, Huang, Ming-Yu, Sekiyama Takayuki	USD64,524,676	100.00%
Verbatim Japan Ltd.	Chairman	EMC Investment Holding Ltd. Representative: Sekiyama Takayuki	5,900	100.00%
Vexus LLC (Note)	Director	Verbatim Americas LLC Representative: Russell Sanders, Matt Toms	USD100	100.00%

(Note): The Company is a limited Company.

II. Overview of operations of company's affiliates

(I) Financial Status and Operation Results of the Related Enterprises:

Unit: NT\$ Thousand

(Except for earnings per share that is calculated in NTD)

Company Name	Capital	Total Assets	Total Liabilities	Net Worth	Sales Revenue	Net operating income	Profit or Loss (after Tax)	Basic Earnings (Loss) Per Share
Deltamac (Taiwan) Co., Ltd.	382,737	384,881	48,255	336,626	191,357	(21,417)	(18,379)	(0.48)
CHC International Investment Corporation	2,615,953	4,107,498	184,362	3,923,135	0	(22,023)	634,945	2.43
CMC ENTERTAINMENT HOLDING Corp.	189,560	184,245	18,260	165,985	6,457	(9,356)	(10,093)	(0.53)
TAIWANET.COM Corp.	3,000	3,602	458	3,144	4,413	(171)	70	0.23
TAIWAN.COM Corp.	1,000	526	70,007	(69,481)	0	0	0	(Note)
Transtouch Technology Inc.	291,859	504,322	127,003	377,319	368,630	(17,491)	(9,833)	(0.34)
CMC ENTERTAINMENT HUB Corp.	133,000	55,193	18,301	36,891	53,836	(17,050)	(17,479)	(1.31)
EMC Investment Holding Ltd.	1,889	3,390,689	10,438	3,380,251	0	(95)	(245,638)	(3,992.36)
CIA Holding Corp.	1,055,647	568,210	0	568,210	0	(223)	(10,357)	(0.30)
Supernet Holding Ltd.	175,635	412,765	55	412,710	0	(102)	(9,235)	(1.61)
Kinease Investment Ltd.	0	88,210	10,352	77,858	0	(3,127)	(2,437)	(1,218,500.00)
F5 Holdings Ltd.	708	972,072	6,145	965,927	0	(212)	(242,478)	(10,513.27)
Media Factory LLC	1,319,873	283,536	0	283,536	0	(18)	6,987	(Note)

Company Name	Capital	Total Assets	Total Liabilities	Net Worth	Sales Revenue	Net operating income	Profit or Loss (after Tax)	Basic Earnings (Loss) Per Share
Fortune (Jiangsu) Multimedia Co., Ltd.	3,151,313	600,028	306,840	293,188	281,616	(8,615)	7,799	(Note)
Fortune (Jiangsu) Electronic Materials Co., Ltd.	71,670	116,272	2,499	113,773	37,486	135	1,254	(Note)
Nantong Zhongxing Multimedia Co., Ltd.	77,030	16,046	0	16,046	0	(51)	(51)	(Note)
Verbatim Australia Pty. Ltd	2,100	390,591	58,787	331,804	299,581	(4,880)	(168)	(1.68)
Verbatim (Hong Kong) Limited	154,315	213,121	78,919	134,202	421,920	(3,865)	(2,737)	(0.68)
Verbatim GmbH	870	1,710,834	743,174	967,660	2,044,011	45,062	36,686	(Note)
Verbatim Americas LLC	1,981,230	1,399,792	430,203	969,589	1,490,255	(151,325)	(240,517)	(Note)
Verbatim Japan Ltd.	12,862	426,214	418,350	7,864	992,513	(27,198)	(31,150)	(5,279.66)
Vexus LLC	3	0	0	0	0	0	0	(Note)
Jet-Thai Hi-Tech Co. Ltd.	3,926,781	17,853	81	17,772	0	(579)	(491)	(0.01)

(Note) It is not applicable to limited company.

- (II) Consolidated financial statements of the related enterprises: with the latest consolidated financial statements of parent-subsidary company audited and certified by accountant.
- (III) Relationship Report: None.

III. Private Placement of Marketable Securities in the Most Recent Fiscal Year and the Current Fiscal Year Up to the Publication Date of the Annual Report

There are no new securities for private placement for the year 2023 and up to the date of publication of the annual report.

IV. Holding or Disposal of Shares in the Company by Its Subsidiaries during the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Publication of the Annual Report

None.

V. Other Mandatory Supplementary Notes

None.

VI. Matters That Have Significant Impact on Shareholders' Equity or Securities Prices as Set Forth in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act in the Most Recent Year and up to the Date of Publication of the Annual Report

None.

CMC Magnetics Corporation



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Date of publication: Published on April 16, 2024

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