Stock Code: 2323

中環股份有限公司

2024 Annual Shareholders' Meeting

Meeting Handbook

June 14, 2024

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CMC Magnetics Corporation
Agenda of 2024 Annual Shareholders' Meeting

Time and Date: 9:00 a.m. on June 14, 2024 (Friday)

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

Form of Shareholders' Meeting: Physical

Meeting Procedures:

I. Call the Meeting to Order

II. Chairman's Remarks

III. Reports

- Case 1: 2023 Business Operations.
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IV. Ratifications

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VII. Motions

VIII. Adjournment

Reports

Case 1: 2023 Business Operations. Please kindly review it.

Explaination: Please refer to pages 10-13 of this handbook for the Business Report.

Case 2: Audit Committee's Review Report on Final Accounts Statement for 2023. Please kindly review it.

Explaination: Please refer to page 14 of this handbook for the Audit Committee's Review Report.

Case 1: The Company's Distribution of Employee Remuneration and Director Remuneration for 2023. Please kindly review it.

Explaination:

(I) According to Article 27 of 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.

(II) The Company has decided to allocate from the 2023 earnings NT$7,000,000 as remuneration to employees and NT$1,600,000 as remuneration to directors.

(III) Both the aforementioned employees' remuneration and directors' remuneration were distributed in cash, and there is no discrepancy with the recognized amount in 2023.

Ratifications

Case 1: Approval of 2023 Business Report and Financial Statements. It is hereby submitted for ratification. (Proposed by Board of Directors)

Explanation:

(I) The Company's individual and consolidated financial statements for 2023 have been duly audited by Wang Sung-Tse and Lin Chun-Yao, the CPAs from PwC Taiwan, who have approved the report without reservation, and issued an unqualified opinion plus the others paragraph. The aforesaid financial statements together with the operating report have been adopted by the Board of Directors.

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

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

(IV) Attached are

1. Business Report. (Please refer to pages 10-13 of this handbook)
2. Financial statements. (Please refer to page 15-38 of this handbook)

Resolution:

Case 2: Approval of 2023 Profit Distribution Plan. It is hereby submitted for ratification. (Proposed by Board of Directors)

Explanation:

(I) The net profit after tax of the Company for 2023 was NT$1,750,237,733. After offsetting the losses, deducting the retained earnings adjustment, and making provisions for legal reserves and Reversal special reserves, the distributable profit amounts to NT$751,692,995.

(II) A cash dividend of NT$740,756,863 (NT$0.68 per share) is proposed to be distributed to shareholders, leaving an undistributed profit of NT$10,936,132 at the end of the period.

(III) The cash dividends for this period are calculated up to NT$1 (rounded down), and any remaining fractional amounts less than NT$1 will be aggregated and recorded as other income for the Company.

(IV) The cash dividend for this period, prior to the ex-dividend date, may be adjusted by the Board of Directors with full authority if any changes in the outstanding shares of the Company affect the dividend ratio.

(V) The Company's 2023 profit distribution plan is as follows:

CMC Magnetics Corporation
Profit distribution plan
Fiscal year 2023

Unit: NT$

Item	Amount
Beginning cumulative deficit before retrospective adjustments	$ (1,051,186,675)
Retrospective adjustments	2,767,156
Beginning cumulative deficit after retrospective adjustments	(1,048,419,519)
Plus (Less):	
Net after-tax profit in 2023	1,750,237,733
Adjustment to retained earnings in 2023	(36,960,793)
Subtotal	664,857,421
Subtract:	
Accrual 10% of legal surplus reserve	(66,485,742)
Reversal of special reserve	153,321,316
Distributable earnings at end of 2023	751,692,995
Appropriation item:	
Cash dividends on ordinary shares (NT$0.68 per share)	(740,756,863)
End of period appropriation	10,936,132

Chairman: Manager: Accounting Controller:

Resolution:

Election Items

Case 1: Election of Directors. It is submitted for resolution. (Proposed by Board of Directors)

Explanation:

(I) The term of office for the 15th Board of Directors of the Company will expire on July 22, 2024. As per the Articles of Incorporation, a comprehensive election will be proposed at this year's annual shareholders' meeting.

(II) According to the Company's Articles of Incorporation, a Board of Directors will be established, consisting of nine to eleven members (at least three independent directors). For the sixteenth term, nine directors will be elected (including three independent directors) for a three-year term, with the option of re-election. Furthermore, an Audit Committee will be formed, comprising all independent directors, as specified in Article 21 of the Articles of Incorporation.

(III) According to Article 14-1 of the Company's Articles of Incorporation, the director positions are nominated by candidates whose qualifications have been reviewed and approved by the 16th session of the 15th Board of Directors. These candidates are proposed to be elected at the shareholders' meeting. The profiles of the director and independent director candidates can be found in the attachment (please see page 34 of this manual).

(IV) The newly appointed directors will serve a term from June 14, 2024, to June 13, 2027, which is a period of three years. The term of the previous directors will end once the election of the new directors is completed at this shareholders' meeting.

Resolution:

Other Proposals

Case 1: Proposal to release the newly elected directors of the Board of Directors of the Company and their Representatives from non-competition restrictions. It is submitted for resolution.

(Proposed by Board of Directors)

Explaination:

(I) The Company's newly elected directors and their representatives, whether acting on their own behalf or on behalf of others within the scope of business, must not harm the Company's interests. Therefore, in accordance with Article 209 of the Company Act, we request the approval of the shareholders' meeting to remove the restrictions on competition for these directors and their representatives.

(II) The proposed request to release the restrictions on director non-compete is as follows:

Position	Name	Current Concurrent Positions
Director	Wong Ming-Sen	Chairman of Transtouch Technology Inc. Director of Legal Representative of EMC Investment Holding Ltd. Director of Legal Representative of Super Net Holding Ltd. Director of Legal Representative of F5 Holdings Ltd. Director of Legal Representative of Media Factory LLC Director of Legal Representative of CIA Holding Corp. Director of Legal Representative of Fortune (Jiangsu) Multimedia Co., Ltd. Director of Legal Representative of Kinease Investment Ltd. Director of Legal Representative of Chung-Hsing Electric & Machinery MFG. Corp. Director of Legal Representative of Chateau International Development Co., Ltd.
Director	Yang Ya-Hsiu	Director of Transtouch Technology Inc. Director of Legal Representative of EMC Investment Holding Ltd. Director of Legal Representative of F5 Holdings Ltd. Director of Legal Representative of Media Factory LLC Director of Legal Representative of Fortune (Jiangsu) Multimedia Co., Ltd.
Director	Weng Hsiao-Wei	Director of Legal Representative of Tainan Enterprises Co., Ltd.

Resolution:

Motions

Adjournment

Appendix I

CMC Magnetics Corporation
2023 Business Report

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 Company's 2023 individual net operating income is NT$3,054,699 thousand, showing a 10% decrease on a year-on-year basis. Operating margin has decreased by 2% on a year-on-year basis with net income of NT$1,750,238 thousand.

(II) Income and expenditure:

The Company's individual net cash inflow from operating activities in 2023 is NT$165,774 thousand; net cash flow outflow from investing activities is NT$115,077 thousand, and net cash outflow from financing activities is NT$73,153 thousand. The overall financial income and expenditure shows a net decrease of NT$22,456 thousand in cash and cash equivalents.

(III) Profitability analysis:

Item	2023	2022
Return on Assets (ROA) (%)	7.88	(4.66)
Return on Equity (ROE) (%)	10.00	(6.22)
Ratio of Operating Income to Paid-in Capital (%)	(1.22)	(1.44)
Ratio of Pretax Net Income to Paid-in Capital (%)	16.22	(9.75)
Net Profit Margin (%)	57.30	(31.68)
Earnings Per Share (NT$)	1.61	(0.95)

(IV) Research and development status:

In terms of the Company's R&D, besides continuing to develop advanced, high-capacity optical products, the Company also used its professional technical competences in the optical disk industry to expand into other fields. These R&D projects were being completed in 2023 one-by-one.

- Completed product output of 200GB high-capacity optical product
- Stable production of various printed optical products with high margin designed for high-end B2B market
- Achieved customer verification of various archival disc (AD) products and started production and output
- Completed the development of professional data lossless discs with an internationally renowned disc drive manufacturer and commenced shipping.
- Certification for antibacterial discs and antibacterial packaging boxes, and commenced shipping.

Expected to commence

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

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 2022 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.

Chairman: Manager: Accounting Controller

Appendix II

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 Meeting of CMC Magnetics Corporation

Convener of the Audit Committee
Shiau Fung-Shyung

March 14, 2024

Appendix III

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.

<u>Corresponding audit procedures</u>

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

<u>Description</u>

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.

<u>Corresponding audit procedures</u>

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**		8,933,049	37	7,543,845	34	7,556,538	34
	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**		15,158,019	63	14,542,392	66	14,732,223	66
1XXX	**Total assets**		$ 24,091,068	100	$ 22,086,237	100	$ 22,288,761	100

(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 Amount	%	(Adjusted) December 31, 2022 Amount	%	(Adjusted) January 1, 2022 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 through profit or loss- current	6 (16)	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**		2,464,133	10	3,020,748	14	2,122,054	10
	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**		3,147,032	13	2,524,708	11	2,054,831	9
2XXX	**Total liabilities**		5,611,165	23	5,545,456	25	4,176,885	19
	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**		18,479,903	77	16,540,781	75	18,111,876	81
	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**		$ 24,091,068	100	$ 22,086,237	100	$ 22,288,761	100

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$)

Code	Items	Notes	Fiscal year 2023 Amount	%	(Adjusted) Fiscal year 2022 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	Common stock	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Special reserve	Retained earnings: Unappropriated earnings (losses to be compensated)	Other equity: Exchange differences on translating the financial statements of foreign operations	Other equity: Unrealized gains or losses on financial assets at fair value through other comprehensive income	Total
Fiscal year 2022									
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		11,588,812	6,830,667	32,476	118,457	155,280	(432,137)	(181,679)	18,111,876
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		$ 10,893,483	$ 6,714,779	$ 47,735	$ 255,790	($ 1,048,420)	($ 113,253)	($ 209,333)	$ 16,540,781
Fiscal year 2023									
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		$ 10,893,483	$ 6,720,506	$ 47,735	$ 255,790	$ 664,857	($ 82,865)	($ 19,603)	$ 18,479,903

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
Cash flows from operating activities			
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
Cash flows from investing activities			
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)
Cash flows from financing activities			
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

Appendix IV

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

Unit: NT$ thousands

	Assets	Notes	December 31, 2023 Amount	%	(Adjusted) December 31, 2022 Amount	%	(Adjusted) January 1, 2022 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**		14,452,219	57	13,280,065	57	13,123,459	54
	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**		11,042,211	43	10,135,264	43	11,072,500	46
1XXX	**Total assets**		$ 25,494,430	100	$ 23,415,329	100	$ 24,195,959	100

(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 Amount	%	(Adjusted) December 31, 2022 Amount	%	(Adjusted) January 1, 2022 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**		3,280,340	13	3,715,716	16	3,395,309	14
	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**		3,394,576	13	2,833,171	12	2,355,540	10
2XXX	**Total liabilities**		6,674,916	26	6,548,887	28	5,750,849	24
	Equity							
	Equity attributable to the owners of parent company							
	Share capital	6(21)						
3110	Common stock		10,893,483	43	10,893,483	47	11,588,812	48
	Capital surplus	6(22)						
3200	Capital surplus		6,720,506	27	6,714,779	28	6,830,667	29
	Retained earnings	6(23)						
3310	Legal reserve		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	6(24)						
3400	Other equity		(102,468)	-	(322,586)	(1)	(613,816)	(3)
31XX	**Total equity attributable to the owners of parent company**		18,479,903	73	16,540,781	71	18,111,876	75
36XX	**Non-controlling interests**	4(3)	339,611	1	325,661	1	333,234	1
3XXX	**Total equity**		18,819,514	74	16,866,442	72	18,445,110	76
	Significant Contingent Liabilities and Unrecognized Contractual Commitments	6(19) and 9						
	Material Events After the Balance Sheet Date	6(23) and 11						
3X2X	**Total liabilities and equity**		$ 25,494,430	100	$ 23,415,329	100	$ 24,195,959	100

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 Amount	2023 %	(Adjusted) 2022 Amount	(Adjusted) 2022 %
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)

	Items	Notes	2023 Amount	2023 %	(Adjusted) 2022 Amount	(Adjusted) 2022 %
	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		155,795	2	(2,935)	-
	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		29,997	-	318,380	4
8300	**Other comprehensive income, net**		$ 185,792	2	$ 315,445	4
8500	**Total comprehensive income for current period**		$ 1,945,029	26	($ 767,451)	(10)
	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		$ 1,759,237	24	($ 1,082,896)	(14)
	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		$ 1,945,029	26	($ 767,451)	(10)
	Earnings (loss) per share	6(32)				
9750	Basic and diluted earnings (loss) per share		$ 1.61		($ 0.95)	

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									
				Retained earnings			Other equity				
	Notes	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	Non-controlling interests	Total equity
2022											
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		11,588,812	6,830,667	32,476	118,457	155,280	(432,137)	(181,679)	18,111,876	333,234	18,445,110
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		$ 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
For the Year Ended December 31, 2023											
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		$ 10,893,483	$ 6,720,506	$ 47,735	$ 255,790	$ 664,857	($ 82,865)	($ 19,603)	$ 18,479,903	$ 339,611	$ 18,819,514

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
Cash flows from operating activities			
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
Cash flows from investing activities			
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)
Cash flows from financing activities			
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		$ 2,943,293	$ 2,763,663

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

Appendix V

CMC Magnetics Corporation

Introduction of Directors and Independent Director Candidates

Category	Gender	Name of Candidate	Academic Background	Experiences	Position	Shareholding (Unit: Share)
Director	Male	Wong Ming-Sen	Agricultural Engineering Department of National Taiwan University	Chairman of CMC Magnetics Corporation	Chairman of CMC Magnetics Corporation Chairmen/Directors of some subsidiaries of CMC Magnetics Corporation Director of Legal Representative of Chung-Hsing Electric & Machinery MFG. Corp. Director of Legal Representative of Chateau International Development Co., Ltd.	86,459,355
Director	Female	Yang Ya-Hsiu	Commercial Department of National Taiwan University	Executive Vice General Manager of CMC Magnetics Corporation	Executive Vice General Manager of CMC Magnetics Corporation Director of CMC Magnetic Co., Ltd. Directors of some subsidiaries of CMC Magnetics Corporation	9,317,996
Director	Male	Tseng Yi-An	Department of Information Engineering, Chun Yuan Christian University	Director of CMC Magnetic Co., Ltd.	Director of CMC Magnetic Co., Ltd.	1,064,273
Director	Male	Tsai Tsung-Han	Department of Chemistry, University of California, Berkeley School of Dental Medicine , TUFTS University	Director of CMC Magnetic Co., Ltd.	Director of CMC Magnetic Co., Ltd.	1,439,328
Director	Male	Tsai Wen-feng	Department of Molecular and Cell Biology, University of California, Berkeley School of Dental Medicine	Vice General Manager of Sales, CMC Magnetic Co., Ltd.	None	642,076
Director	Female	Weng Hsiao-Wei	IE Business School IMBA	Financial Manager of Tainan Enterprises Director of Legal Representative of Tainan Enterprises Co., Ltd.	Director of Legal Representative of Tainan Enterprises Co., Ltd.	5,495,238

Category	Gender	Name of Candidate	Academic Background	Experiences	Position	Shareholding (Unit: Share)
Independent Director	Male	Wu Cheng-Hsiu (Note)	Passed Higher Examination for Lawyers Passed special examination for judicial officers	Executive Lawyer of Taipei Bar Association and President of Ming De Law Office Supervisor of the 19th Board of Supervisors of Taipei Bar Association Legal advisor to dozens of companies, including Capital Motors, Inc., Hung Sheng Construction Co., Ltd., and Huang Xiang Construction Independent Director of CMC Magnetics Corporation	Independent Director of CMC Magnetics Corporation	0
Independent Director	Male	Chen Ching-Chang	Department of Accounting, Tamkang University	Chief Investment Officer of Fair Friend Group. Investment Department Manager of CMC Magnetics Corporation, Assistant Manager of the Accounting Department, Fair Friend Enterprise Co., Ltd.	None	0
Independent Director	Female	Kuo Ming-Chun	Master of Business Administration, University of South Australia	Securities Investment Team Leader of Financial Department, Entie Bank	None	0

Note: Reasons for the nomination of the candidate for Independent Director who has served as an Independent Director of the Company for more than three terms:

Considering Mr. Wu, Cheng-Hsiu has financial expertise and is familiar with relevant laws and regulations, which will help the Company comply with laws in business decision-making and continuously improve decision quality, he has been nominated to serve as a candidate for the Independent Director.

Appendix VI

CMC Magnetics Corporation
Rules for Election of Directors

Adopted at the shareholder meeting convened on June 23, 2021.

Article 1. The Directors of the company shall be duly elected in accordance with the Rules specified herein.

Article 2. The Company's directors shall be duly elected by means of registered cumulative voting. The name of the elector can be replaced by the attendance certificate number printed on the ballot. For the election of the Company's directors, each share has the same number of directors to be elected. One person may be elected in a centralized manner, or a number of people may be distributed.

Article 3. The independent directors and non-independent directors shall be elected separately based on the number of votes they receive respectively.

Article 4. The Company's directors shall be elected from persons with the active ability according to the quota of people specified by the Board of Directors in accordance with the Articles of Association of the Company, with those receiving ballots representing the highest numbers of voting rights deemed elected as directors according to their respective numbers of votes, and where any two or more persons receive the same number of votes, thus exceeding the specified number of Director's seats, the tied shall draw lots to determine the winner, with the chairperson drawing lots for any candidate not in attendance.

Article 5. Before the election process starts, the chairperson shall appoint a certain number of ballot inspectors and counters to perform the respective duties. The Board of Directors or competent convener shall set up a ballot box, which shall be examined in public by the supervisor.

Article 6. The Board of Directors or competent convener shall prepare separate ballots for Directors in numbers corresponding to the Directors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the shareholders' meeting.

Article 7. A ballot is invalid under any of the following circumstances:

1. Any ballot cast in violation of these Guidelines.
2. A blank ballot is placed in the ballot box.
3. The writing is unclear and indecipherable or has been altered.
4. The candidate whose name is entered in the ballot does not conform to the director candidate list.
5. Other words or marks are entered in addition to the candidate's name and the number of voting rights allotted.

Article 8. Ballots shall be counted on the spot upon completion of casting the ballots, and the results of counting ballots shall be announced by the chairperson on the spot.

Article 9. The Board of Directors of the Company shall deliver a written notification to each of the elected directors.

Article 10. Matters not specified in the Rules shall be governed by the Company Act and relevant laws and regulations.

Article 11. The Rules and any amendments thereafter shall become effective upon resolution at the shareholders' meeting.

Appendix VII

Articles of Association of CMC Magnetics Corporation

Chapter 1. General Provisions

Article 1. The Company is organized in accordance with the provisions of the Company Act, and is named 中環股份有限公司, and the English name is CMC MAGNETICS CORPORATION.

Article 2. The scope of the Company's business is as follows:

1. C805030 Plastic Daily Necessities Manufacturing
2. C805050 Industrial Plastic Products Manufacturing
3. CC01120 Data Storage Media Manufacturing and Duplicating
4. CC01030 Electrical Appliances and Audiovisual Electronic Products Manufacturing
5. F118010 Wholesale of Computer Software
6. F113050 Wholesale of Computers and Clerical Machinery Equipment
7. F213030 Retail Sale of Computers and Clerical Machinery Equipment
8. F216010 Retail Sale of Camera Equipment
9. F218010 Retail Sale of Computer Software
10. F601010 Intellectual Property Rights
11. I301010 Software Design Services
12. JE01010 Rental and Leasing
13. J303010 Magazine (Periodical) Publishing
14. J304010 Book Publishing
15. J401011 Motion Picture Production
16. J402011 Motion Picture Distribution
17. J602010 Performing Arts Activities
18. F102030 Wholesale of Tobacco Products and Alcoholic Beverage
19. F203020 Retail Sale of Tobacco and Alcohol
20. F401010 International Trade
21. H701010 Housing and Building Development and Rental
22. H701020 Industrial Factory Development and Rental
23. H701040 Specific Area Development
24. H701060 New Towns, New Community Development
25. H703100 Real Estate Leasing
26. F113020 Wholesale of Household Appliance
27. F213010 Retail Sale of Electrical Appliances
28. F113070 Wholesale of Telecom Instruments
29. F213060 Wholesale of Telecom Instruments

30. F401171 Alcohol Products Importation
31. ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

Article 3. The Company is headquartered in Taipei City and may establish branches at home and abroad when necessary with a resolution adopted by the Board of Directors.

Article 3-1. Article 3-1 The Company’s total amount of re-investment is not subject to 40% of the paid-in capital. The Board of Directors is authorized to make decisions regarding re-investment.

Article 3-2. The Company provides external guarantees for its business needs, and its procedures are in accordance with the Company's Principle of Endorsement and Guarantees.

Article 4. The Company's method of public disclosure is executed pursuant to the requirements of the securities regulatory authority.

Chapter 2. Shareholding

Article 5. The total capital amount of the Company is forty-five billion New Taiwan Dollars (NT$45,000,000,000), which is divided into four billion five hundred million (4,500,000,000) shares with a par value of ten New Taiwan Dollars (NT$10) each and will be issued in installments by the Board of Directors.

Article 6. The Company may be exempted from printing stock certificates and shall register with the centralized securities depository enterprise when issuing shares.

Article 7. The change of the shareholder register shall be suspended within 60 days before an annual general meeting, within 30 days before an extraordinary shareholders' meeting, or within 5 days before the record date of payout of dividends, bonuses, or other benefits.

Article 8. The Company's shares shall be handled in accordance with the "Regulations Governing the Administration of Shareholder Service of Public Companies" prescribed by the Securities and Futures Management Committee of the Ministry of Finance except where otherwise provided by law, regulation, or guideline.

Chapter 3. Shareholders' Meeting

Article 9. There are annual general and extraordinary shareholders’ meetings. The Board of Directors shall convene the annual meeting once a year within six months after the end of each fiscal year. The latter may be duly convened according to relevant laws whenever the Company deems it necessary.

Article 9-1. The Company may convene a shareholders' meeting by video conference or in other methods as announced by the Ministry of Economic Affairs.

Article 10. A shareholder who is unable to attend the shareholders' meeting may authorize another person to attend as a proxy, a power of attorney issued by the Company shall be issued, specifying the scope of authorization, and entrusting a proxy to attend the shareholders' meeting shall be subject to the restrictions of Article 177 of the Company Act.

Article 11. Except for the shares with restricted voting rights or without voting rights under the regulation, each share is entitled to one vote, for all shareholders of the Company.

Article 12. Resolutions made at the shareholders' meetings shall be recorded as minutes of the meeting, in which the date, venue, name of the chairperson, method of resolution, and summary and results of meeting proceedings shall be recorded and signed or sealed by the chairperson of the meeting. The minutes shall be distributed to each shareholder within 20 days after the shareholders' meeting. After the Company publicly issues stocks, they shall be conducted by announcement.

Article 13. Except as otherwise provided by applicable law, the shareholders' resolutions shall be adopted upon the approval of a majority of the voting shares present at the meeting, which is attended by holders of a majority of the total issued and outstanding shares of the Company.

Chapter 4. Directors and Audit Committee

Article 14. The Company shall have nine to eleven directors, who shall be elected from legally competent persons at the shareholders' meeting, hold office for three years, and may be re-elected. The total amount of registered shares held by all directors shall not be less than a certain amount of issued shares. Such an amount shall be determined by the competent authority.

Article 14-1. There shall be at least three independent directors among the number of directors to be elected referred to in the preceding paragraph, and there should be at least three independent directors, who shall represent at least one-fifth of the Board. The independent directors shall be elected at the shareholders' meeting from among a list of candidates. The restrictions on professional qualifications, share ownership, concurrent positions held, the manner of nomination, the election of the independent directors, and other related matters shall comply with applicable laws and regulations prescribed by the competent authority.

Article 15. The Board of Directors shall elect a chairman from among the directors by a majority vote at a meeting attended by over two-thirds of the directors. The chairman of the board represents the company externally and is internally the chairperson of the shareholders meeting and the Board of Directors.

Article 16. The Board of Directors is formed by the chairman and its powers and authority are as follows:

(I) Formulation of a business plan.

(II) Formulation of earnings distribution or deficit compensation.

(III) Formulation of a capital increase or reduction proposal.
(IV) Formulation of important regulations and contracts.
(V) Appointment and dismissal of a general manager.
(VI) Establishment or dissolution branches.
(VII) Formulation of budgets and financial statements.
(VIII) Other powers and duties conferred by the Company Act or by the resolution of shareholder meeting.

Article 17. The Company can convene a Board meeting at all times when an emergency occurs. The meeting of the Board of Directors shall be convened by delivery of a notice to each director in writing or by electronic means or fax.

Article 18. Decisions at the Board of Directors meeting shall be resolved by a majority vote in the meeting which is attended by Directors who represent a majority of the total number of Directors. A director may authorize in writing another director to be represented at the board meeting, provided that a power of attorney shall be issued each time stating the scope of authorization, and the director shall be appointed as a proxy for only one other director.

Article 19. When the Chairman is on leave or unable to exercise the powers as the chair for any reason, its delegate shall be handled in accordance with Article 208 of the Company Act.

Article 20. The remuneration paid to the chairman and 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.

Article 21. The Company has established an Audit Committee according to Article 14-4 of the Securities Exchange Act, which is composed of all Independent Directors.

Article 22. The exercise of the functional authorities and related matters by the Audit Committee and its members shall be handled in accordance with the relevant provision of the Securities and Exchange Act.

Article 23. The Company may purchase liability insurance for the directors during their tenures, which shall cover the directors' liabilities arising from the performance of their duties.

Chapter 5. Managerial Officer

Article 24. The Company may appoint a number of managerial officers whose appointment, dismissal, and remuneration shall be governed by Article 29 of the Company Act.

Chapter 6. Accounting

Article 25. The fiscal year of the Company shall begin on January 1 and end on December 31 of each year.

Article 26. At the end of the fiscal year, the accounts of the Company shall be closed. At the end of each fiscal year, the Board of Directors of the Company shall, in accordance with the relevant regulations, prepare and submit the following reports and statements to the regular shareholders' meeting for recognition: (1) Business report; (2) Financial statements; and (3) Proposal for allocation of profits or compensation of losses.

Article 27. If the Company has earnings, it shall set aside 1% of the balance as remuneration to the employees and no greater than 1.5% of the balance as remuneration to directors. But if the Company still has a cumulative deficit, the amount to cover should be retained in advance. The objects of the employee compensation in the preceding paragraph include employees of domestic and foreign subsidiaries; the aforementioned "subsidiary" refers to the direct or indirect holding of more than half of the company's common stock.

Article 28. 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.

Chapter 7. Supplementary Provisions

Article 29. Matters not specified in the Articles of Incorporation shall be governed by the Company Act.

Article 30. The Articles of Incorporation is hereby formulated on November 4, 1978. The first amendment was made on June 18, 1981. The second amendment was made on November 25, 1982. The third amendment was made on April 15, 1984. The fourth amendment was made on January 29, 1985. The fifth amendment was made on April 4, 1985. The sixth amendment was made on August 28, 1985. The seventh amendment was made on November 21, 1985. The eighth amendment was made on December 26, 1985. The ninth amendment was made on June 26, 1986. The tenth amendment was made on April 12, 1987. The eleventh amendment was made on June 20, 1987. The twelfth amendment was made on

October 6, 1987. The thirteenth amendment was made on June 14, 1988. The fourteenth amendment was made on October 27, 1988. The fifteenth amendment was made on April 15, 1989. The sixteenth amendment was made on April 7, 1990. The seventeenth amendment was made on September 1, 1990. The eighteenth amendment was made on May 11, 1991. The nineteenth amendment was made on April 11, 1992. The twentieth amendment was made on September 19, 1992. The twenty-first amendment was made on April 22, 1993. The twenty-second amendment was made on September 18, 1993. The twenty-third amendment was made on April 23, 1994. The twenty-fourth amendment was made on April 29, 1995. The twenty-fifth amendment was made on April 27, 1996. The twenty-sixth amendment was made on May 13, 1997. The twenty-seventh amendment was made on April 18, 1998. The twenty-eighth amendment was made on April 30, 1999. The twenty-ninth amendment was made on April 29, 2000. The thirtieth amendment was made on May 4, 2001. The thirty-first amendment was made on May 4, 2001. The thirty-second amendment was made on May 17, 2002. The thirty-third amendment was made on June 15, 2004. The thirty-fourth amendment was made on June 14, 2005. The thirty-fifth amendment was made on June 15, 2006. The thirty-sixth amendment was made on June 13, 2007. The thirty-seventh amendment was made on June 16, 2009. The thirty-eighth amendment was made on June 17, 2010. The thirty-ninth amendment was made on June 22, 2011. The fortieth amendment was made on June 15, 2012. The forty-first amendment was made on June 12, 2014. The forty-second amendment was made on June 2, 2015. The forty-third amendment was made on June 7, 2016. The forty-fourth amendment was made on June 16, 2020. The forty-fifth amendment was made on June 17, 2022

CMC Magnetics Corporation

Chairman: Wong Ming-Sen

Appendix VIII
CMC Magnetics Corporation Rules and Procedures for the Shareholders' Meeting

Adopted at the Shareholders' Meeting on June 16, 2020

Article 1. Unless otherwise required by the law, the shareholders' meeting of the Company shall be conducted in accordance with the Rules.

Article 2. The Company shall, in the notice of the shareholders' meeting, specify the time and place for shareholders' sign-in and other important matters.

Shareholders' sign-in as referred to in the preceding paragraph shall begin at least thirty minutes before the meeting. There shall be clear signs and sufficient and adequate staff at the registration desk.

Shareholders and their proxies (collectively, "shareholders") shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. Solicitors soliciting proxy forms shall also bring identification documents for verification.

The Company shall provide an attendance register for shareholders to sign in, or require the attending shareholders to submit their sign-in cards in lieu of signing the register.

The Company shall provide the shareholders present with an agenda handbook, an annual report, an attendance card, a speaker's slip, a voting card, and other meeting materials. In the event that an election of directors is held, a ballot shall also be provided to them.

When the government or a legal person is a shareholder, the shareholder may appoint more than one representative to attend a shareholders' meeting. If a juristic person is entrusted to attend the shareholders' meeting, such juristic person may only appoint one person to be its representative at the meeting.

Article 3. Attendance and voting at shareholders' meetings shall be calculated based on numbers of shares.

Article 4. The shareholders' meeting shall be held in the city or county where the Company is located or at any other place that is convenient for the shareholders to attend and appropriate to convene such a meeting, and shall commence at a time no earlier than 9:00 AM and no later than 3:00 PM.

Article 5. The chairmanship of the shareholders' meeting shall be handled in accordance with Article 182-1 of the Company Act.

The terms of office shall be more than 6 months and the person who shall be a managing director or director familiar with the operation of the company as if the aforementioned chairman be a corporate director. The same requirements shall apply if the chairperson for the meeting is a director's representative of a juristic person.

Article 6. The Company may appoint its attorneys, CPAs, or relevant persons retained by it to attend a shareholders' meeting in a non-voting capacity.
Staff at the shareholders' meetings shall wear ID badges or arm badges.

Article 7. The Company shall make uninterrupted audio and video recordings of the entire process of shareholder sign-in, meeting proceedings, and voting and ballot counting.
The recorded materials of the preceding paragraph shall be retained for at least 1 year. In the event of a lawsuit regarding the Directors election under Article 189 of the Company Law, those ballots shall be archived until the conclusion of the lawsuit.

Article 8. The chairperson shall call the meeting to order at the time scheduled for the meeting. In the event that the meeting is attended by shareholders representing less than half of the total issued shares, the chairperson may announce a postponement of the meeting, however, there may not be more than two postponements in total and the total time accumulated in the postponement(s) shall not exceed one hour. In the event that the meeting is attended by shareholders not up to the specified quorum but representing more than one-third of the total issued shares after two postponements, a tentative resolution may be passed in accordance with Article 175 of the Company Act.
In the event that the total number of shares represented by attending shareholders reaches a majority of the total issued shares before that same shareholder meeting is adjourned, the chairperson may bring the tentative resolution(s) so adopted into the shareholder meeting anew to be duly resolved in accordance with Article 174 of the Company Act.

Article 9. The agenda for the shareholders' meeting shall be set by the Board of Directors if such a meeting is convened by the Board of Directors. Unless a resolution is adopted by the shareholders' meeting, the meeting shall be carried out in accordance with the scheduled agenda.
The preceding paragraph shall apply mutatis mutandis to meetings convened by any person, other than the Board of Directors, with the authority to convene such a meeting.
The chairperson shall not announce adjournment of the meeting until the agenda in the two preceding paragraphs is completed (including occasional (extemporaneous) motions) unless duly resolved in the meeting.
After the meeting is adjourned, the shareholders shall not elect another chairperson to resume such a meeting at the same location or seek an alternative venue.

Article 10. Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, their shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chairperson.

An attending shareholder who submits a slip of paper but does not speak at the meeting is deemed to have not spoken. In the event of any inconsistency between the contents of shareholder's speech and those recorded on the slip, the contents of shareholder's speech shall prevail.

When an attending shareholder is speaking at the meeting, no other shareholder shall interrupt the speaking shareholder unless permitted by the chairperson and such speaking shareholder; the chairperson shall stop any such violations.

Article 11. The motions on the agenda shall be discussed in the order as set on the agenda. In the event of any violation, the chairperson shall stop it immediately. In addition to the proposals listed in the agenda, other proposals submitted by shareholders or amendments or alternatives to the original proposals shall be seconded by other shareholders, otherwise the proposal will not be established.

Article 12. Except with the consent of the chairperson, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. The chairperson may stop the speech of any shareholder that is in violation of the preceding paragraph or exceeds the scope of the proposal.

The chairperson may stop the speech of any shareholder that is in violation of the preceding paragraph or exceeds the scope of the proposal.

Article 13. When a juristic person is appointed to attend as a proxy, it may designate only one person to represent it in the meeting.

In the event that a juristic (corporate) person shareholder appoints two or more representatives to participate in a shareholder meeting, only one representative may speak for the same issue.

Article 14. After an attending shareholder has spoken, the chairperson may respond in person or direct relevant personnel to respond.

Article 15. When the chairperson is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call for a vote.

Article 16. Except as otherwise provided in the Company Act, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. Relevant motions (including extemporary motion and the amendment to the contents of the original proposal) shall be passed on a one-agenda by-one-agenda basis.

Method of attendance by proxy, besides abiding by the conditions stated in the Company Act, shall also follow the 'Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies' from the competent authority.

Article 17. Scrutineers and vote counting personnel for the voting on proposals shall be appointed by the chairperson, provided that all scrutineers be shareholders of the Company. Vote counting for proposals or elections at a shareholders' meeting shall be conducted in public at the place of the shareholders' meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and recorded.

The election of directors and supervisors at a shareholders' meeting shall be held in accordance with the applicable election and appointment rules of the Company, and the voting results shall be announced on-site immediately, including the names of those elected as directors and supervisors and the numbers of votes with which they were elected.

Article 18. When a meeting is in progress, the chairperson may announce a break based on time considerations.

Article 19. Except as otherwise provided in the Company Act and in the Company's Articles of Incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders.

Article 20. When there is an amendment or an alternative to a proposal, the chairperson shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When one among them is duly resolved, the other issue(s) is (are) deemed to have been vetoed and no voting process is required.

Article 21. The chairperson may direct the proctors (or security personnel) to help maintain order at the meeting place. Such patrol personnel (or security personnel) shall wear arm badges marked "Patrol Personnel" while assisting in maintaining the order of the meeting.

Article 22. These Rules and any amendments thereto shall become effective upon a resolution by the shareholders' meeting.

Appendix IX

Shareholdings of CMC Magnetics Corporation

Explanation:

(I) The rules are implemented pursuant to Article 26 of the Securities and Exchange Act, the number of shares of the directors and supervisors of the public company, and rules for verification and implementation.

(II) The Company's paid-in capital is NT$10,893,483,280, with a total of 1,089,348,328 shares issued. The required combined shareholding ratio of all directors by law is 3%, and the required combined shareholding of all directors by law is 32,680,449 shares. However, if it is calculated according to Article 2 of the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies, the total number of shares shall be 1,000,000,000 shares, so the required combined shareholding of all directors by law is 40,000,000 shares.

(III) The Company has elected 3 Independent Directors, and the share ownership figure calculated at the rates set in the preceding paragraph for all Directors other than Independent Directors shall be decreased to 80%.If a public company has established an Audit Committee in accordance with the law, the regulations that the number of shares held by the supervisor shall not be less than a certain ratio shall not apply. Therefore, the number of shares legally held by all directors of the Company is 32,000,000.

(IV) As of the book closure date for the shareholders meeting, the shareholding by all Directors and each of them recorded in the shareholder register is as follows:

April 16, 2024

Position	Account name	Shares Held	Percentage of Ownership
Chairman	Wong Ming-Sen	86,459,355	7.94%
Director	Yang Ya-Hsiu	9,317,996	0.86%
Director	Tsai Wong Ya-Li	1,311,275	0.12%
Director	Tseng Yi-An	1,064,273	0.10%
Director	Tsai Tsung-Han	1,439,328	0.13%
Independent Director	Shiau Fung-Shyung	0	0.00%
Independent Director	Wu Cheng-Hsiu	0	0.00%
Independent Director	Lee Ming-Yen	0	0.00%
Share Ownership of All Directors		99,592,227	9.15%