

Stock Code : 2323



中環股份有限公司

CMC Magnetics Corporation

2019 Annual Shareholders' Meeting

Meeting Agenda

June 5, 2019

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CMC Magnetics Corporation

Procedure of 2019 Annual Shareholders' Meeting

1. Commencement of Meeting
2. Chairman's Statement
3. Report Items
4. Matters for Ratification
5. Matters for Discussion
6. Extempore motion
7. Adjournment

CMC Magnetics Corporation

Agenda of 2019 Annual Shareholders' Meeting

Time: June 5, 2019 (Wednesday) at 9 a.m.

Place: 5F., No. 24, Sec. 1, Hangzhou S. Rd., Taipei City (GIS MOTC Convention Center)

1. Commencement of Meeting

2. Chairman's Statement

3. Report Items

(1) Business Report of 2018

(2) Inspection Report of Audit Committee of 2018

(3) Status of implementation of Treasury Share Buy-back in 2018

4. Matters for Ratification

(1) Business Report and Financial Statements of 2018 (Board of Directors proposal)

(2) 2018 Appropriation of Profit or Loss (Board of Directors proposal)

5. Matters for Discussion

(1) Amendment to the Company's Procedures for Handling Acquisition and Disposal of Assets (Board of Directors proposal)

(2) Amendment to the Company's Procedures for Governing Loans of Funds and Management of Endorsements/Guarantees (Board of Directors proposal)

(3) Proposal for a capital reduction plan to offset company losses. (Board of Directors proposal)

6. Extempore motion

7. Adjournment

Report Items

1. Business Report of 2018

Explanation: Business Report of 2018, attached in the Meeting Agenda, page 8~10.

2. Audit Committee's Review Report on the 2018 Financial Statements

Explanation: Inspection Report of Audit Committee, attached in the Meeting Agenda, page 11.

3. Status of Implementation of Treasury Share Buy-back in 2018

Explanation:

(1) In order to protect shareholders' rights and interests, it is planned to buy back the Company's shares and write off the shares. After the resolution of the board of directors, the Company will buy back the Company's shares and submit it to the Financial Supervision and Administration Commission for verification.

(2) List of Treasury Share Buy-back as follows :

List of Treasury Share Buy-back

Treasury stocks: Batch Order	51st	52st
Board resolution date	September 20, 2018	November 13, 2018
Purpose of buy-back	Maintain Company's credit and shareholders' equity	Maintain Company's credit and shareholders' equity
Actual Timeframe of buy-back	September 21, 2018~October 26 2018	November 15, 2018~January 11, 2019
Price range	NT\$ 5.0~NT\$ 10.0	NT\$ 4.5~NT\$ 8.0
Class, quantity of shares bought back	50,000,000shares	48,110,000 shares
Value of shares bought-back	NT\$ 294,892,096	324,007,428
Quantity of Shares sold/transferred	50,000,000 shares	48,110,000 shares
Accumulated number of outstanding shares	0	0
Ratio of accumulated number of outstanding shares to the total number of issued shares (%)	0%	0%

Matters for Ratification

1. Ratification of Business Report and Financial Statement of 2018. (Proposed by the Board of Directors)

Explanation: (1) The stand alone and consolidated financial statements of 2018 were audited by independent auditors, Yu Shu-Fen and Chang, Shu-Chiung of PwC Taiwan. Unqualified opinion was issued plus other paragraphs, the above financial statements together with the business report were approved by the board of directors.

(2) The various statements have been reviewed by the Audit Committee and it is considered that there is no discrepancy.

(3) Submitting the above list for approval.

(4) Attachments 1. Business report. (See page 8-10 of this Meeting Agenda)

2. Financial statements. (See page 12-38 of this Meeting Agenda)

Resolution:

2. Ratification of the Proposal for 2018 Deficit Compensation (Proposed by the Board of Directors)


Explanation: (1) 2018 net profit after tax is NT\$430,204,418, deficit yet to be compensated of NT\$. 5,671,351,678.

(2) Company proposed not to distribute dividends during the year, 2018 Deficit Compensation Statement as follows:


CMC Magnetics
Deficit Compensation Statement
2018

Unit: NTD\$

Items	Total
Deficit yet to be compensated of earlier years	\$ (6,293,519,214)
2018 net profit after tax	430,204,418
2018 retained earnings adjustments	191,963,118
Accumulated Deficit yet to be compensated	(5,671,351,678)
Deficit yet to be compensated – at the end of 2018	\$ (5,671,351,678)

Chairman : 

Manager : 

Accounting supervisor : 

Resolution:

Matters for Discussion

- 1.** Amendment of “Procedures for Handling Acquisition and Disposal of Assets” (Proposed by the Board of Directors)

Explanation: (1) Amend the Procedure in accordance with the provisions of the Financial Supervisory Commission on November 26, 2018, Financial Supervisory Commission Certificate No. 1070341072.

- (2) Attached with Comparison Table of “Procedures for Handling Acquisition and Disposal of Assets” Before and After Amendment. (See page39-53of this Meeting Agenda)

Resolution:

- 2.** Amendment of “Procedures for Governing Loans of Funds and Management of Endorsements/Guarantees” (Proposed by the Board of Directors)

Explanation: (1) Amend the Procedure in accordance with the provisions of the Financial Supervisory Commission on March 7, 2019, Financial Supervisory Commission Certificate No. 1080304826.

- (2) Attached with Comparison Table of “Procedures for Governing Loans of Funds and Management of Endorsements/Guarantees” Before and after Amendment. (See page71-73 of this Meeting Agenda)

Resolution:

- 3.** Proposal for a capital reduction plan to offset company losses. (Proposed by the Board of Directors)

Explanation: (1) The Company's paid-up capital is NT\$17,260,163,670 and issued 1,726,016,367 shares. As of December 31, 2018, deficit yet to be compensated of NT\$5,671,351,678.

- (2) In order to improve the financial structure and make up for accumulated losses, in accordance with the provisions of Paragraph 1 of Article 168 of the Company Act, it is proposed to reduce NT\$5,671,351,670, and eliminate 567,135,167 shares of common stock, shares are eliminated according to the shareholding ratio of shareholders. It is estimated that the number of shares will be reduced by approximately 328.58 shares, and the capital reduction ratio will be approximately 32.858%. After the capital reduction, the paid-in capital of the company is NT\$11,588,812,000. If there are any changes in the number of

shares in the Company's actual circulation, the ratio of shareholders' capital reduction will change. Or if the case was approved and modified by the legal or governing authority, or if the facts need to be adjusted, it is proposed to request the shareholders' meeting to authorize the Board of Directors to handle the matter.

- (3) After the capital reduction, the new shares will be issued without physical issuance. After the capital reduction, it is up to the original shareholder to file a patchwork registration of the odd lots that are less than one share with the Company's independent registrar within 5 days from the book closure date. If the shareholders have not filed a patchwork registration, or the odd lots that are still less than one share afterwards, the Company shall pay cash in accordance with the stock par value (rounding off below NT\$1), the Chairman shall be authorized to negotiate with the specific person in acquisition of the odd lots that are less than one share.
4. After the case of capital reduction has been passed during the shareholders' meeting and approved by the authority, the Board of Directors shall be authorized to set a capital reduction base date and handle the matters related to it.

Resolution:

Extempore motions

Adjournment

CMC Magnetics Corporation
2018 Business Report



In the past year, the global economic circumstances have been turbulent due to the trade war between China and the U.S.A.. However, after the peer has withdrawn from the traditional optical disc manufacturing, the supply and demand order of the optical disc market has been reorganized. Under the promotion in market share and price increase, the Company's consolidated gross profit margin grew compared to last year. Together with the interest in disposing of idle assets, the consolidated net profit after tax reached NT\$420 million.

CMC Magnetics Corporation is equipped with high quality products and excellent research and development capabilities. The 100G file CD product was approved by the class A laboratories in March 2019 and was the first and only manufacturer to get the approval in Taiwan. Looking ahead, under the booming trend of 5G, AI artificial intelligence, big data and the cloud. The data storage market will grow at a high speed, and CMC Magnetics Corporation will seize the opportunity in the cold data storage market.

The following report on the operation of 2018 and the future planning direction:

1.2018 annual business performance and results

(1) Implementation result of business plan :

The Company's individual net Operating Revenue for the year 2018 was NT\$6,643,919,000 a decrease of 1% compared with 2017. Due to factors such as the increase in selling price and material cost, the operating gross profit increased by 315% compared with the same period of last year. In the effort to control costs and rectify the effectiveness of the subsidiaries, the net profit for the period was NT\$430,204,000 which was a significant increase from 2017.

(2) Financial Revenue and Expenditure situation :

The individual net cash inflow of the Company's 2018 annual Operating activities was NT\$206,797,000, the net cash inflow of investment activities was NT\$288,854,000, and the net cash inflow of financing activities was NT\$604,486,000. The overall financial revenue and expenditure situation was cash and cash equivalents increased by NT\$1,100,137,000.

(3) Profitability analysis :

Items	2018	2017
Return on Total Assets (%)	1.92	(4.08)
Shareholders Return on Equity	2.26	(5.69)
Deferred tax income as a percentage of paid-in capital (%)	(0.38)	(3.08)
Income from continuing operations before income tax for the amount of paid-in capital (%)	2.77	(5.51)
Net profit ratio (%)	6.48	(16.77)
Earnings per share (NTD\$)	0.24	(0.61)

(4) Research and development status:

In addition to the continuous development of high-end and high-capacity optical disc products, the Company's R&D used the optical disc industry expertise to cross-domain product development, which was completed in 2018.

- Completed the development of 100GB high-capacity optical disc products and started their trial production.
- Stable shipment of specific high-end Business to Business high-margin printing disc products.
- Completed the development and certification of various file-level optical discs, and began to promote and ship in order to proceed the planning.

Moreover, expected to be in progress

- It is expected the development of double-sided multi-layer optical disc products with 200GB, 300GB and higher capacity.
- Development of higher capacity CD product.
- Develop biomedical and chemical related technologies.

2. Summary of 2019 business plan :

The business plan summary and development strategy for 2019 are as follows:

(1) Development of high quality and high capacity file CD product

Under the trend of green environmental protection, economic energy, carbon reduction, and digital security, archived optical discs have the advantage in the cold data storage market because of their high level of security, long-term life, low energy consumption and low storage cost. For the organizations which have a huge requirement to storage cold data and files, such as cloud centers, medical centers, libraries, banks, and etc., they are most economically viable. Therefore, it is expected that the demand of market will gradually increase in the future.

CMC Magnetics Corporation has continued to invest in the research and development of archived optical discs. Using the products of archived optical discs with high-quality and high-capacity to work deeply on the professional B2B market with high gross margin, it drives the growth momentum of the future optical disc business.

(2) Exquisite cultural and creative, and leisure industries development

From 2017, CMC Magnetics Corporation entered the catering and cultural and creative industries. The catering business group is at the Beaumont Parkin Yangmingshan, Taipei. It has opened Com In Dim, Vino Fiore, Jin Zhi Zui, Beaumont Bakery, and Tai Zhi Zui is expected to open in 2019. There are 5 different types of restaurants, and Com In Dim at Vie Show Cinemas Taipei Hsin Yi. The cultural and creative business Group includes TSUTAYA BOOKSTORE, with a compound operation. It currently has two business locations in Taipei Xinyi Commercial Center and Taichung.

CMC Magnetics Corporation will continue to integrate the Group's resources, expand the cultural and creative, and the leisure industry map, and provide consumers with a comprehensive quality life platform.

(3) Activation of assets at home and abroad

For the non-core and low-efficiency land and factory buildings at home and abroad, we will carry out planning for activation or disposal to improve asset efficiency.

(4) Continuous optimization of financial structure

In the past 5 years, the Company kept improving its financial structure. The consolidated financial liabilities decreased from NT\$7.56 billion in 2014 to NT\$3.66 billion in 2018. The overall debt ratio also decreased from 29.1% to 23.1%. This year, we will keep reducing financial liabilities, optimizing the financial structure in order to accumulate energy for the Company's sustainable development.

The Company's management team will be committed to enhancing the Company's long-term value and sustainable operation. At the end, we hope that all shareholders will continue to give encouragement and advice, and to support and care for the Company.

Chairman :



Manager :



Accounting supervisor :



Appendix 2

CMC Magnetics Corporation Inspection Report of Audit Committee

Approved

The Board of Directors made CMC Magnetics Corporation 2018 Business Report, Financial Statements, and Deficit Compensation Statement etc., which are approved by the Audit Committee. It is considered that there is no disagreement, and in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act made a report, please review it.

To

2019 Annual Shareholders' Meeting of CMC Magnetics Corporation

Audit Committee Convener
Xiao, Feng-Xiong



March 15, 2019

Appendix 3

INDEPENDENT AUDITORS' REPORT

(2019) PWCR 18003896

To the Board of Directors and Shareholders of CMC Magnetics corporation.

Opinion

We have audited the accompanying parent company only balance sheets of CMC Magnetics corporation (the "Company") as at December 31, 2018 and 2017, and the parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2018 and 2017, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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 in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's parent company only financial statements for the year ended December 31, 2018 are stated as follows:

Accounting estimates on valuation of inventories

Description

Please refer to Note 4 (11) to the parent company only financial statements for the accounting policy of inventory evaluation. Please refer to Note 5 (2) to the parent company only financial statements for the uncertainty of accounting judgment and hypothesis of inventory evaluation. Please refer to Note 6 (6) to the parent company only financial statements for the details of the information about the inventory.

The Company mainly manufactures and sells optical discs. The inventories are subject to high fluctuations in market prices, resulting in a higher risk of inventory valuation losses. Also, the amount of inventory and the number of items are large in the Company. Furthermore, the process of individual identification of outdated inventories often involves human judgment. As a result, the auditor has included the assessment of allowance of inventory in the Company as one of the key audit matters for the year.

How our audit addressed the matter

The key audit matter influences the Company and some of its subsidiaries which are recognized by using the equity method. Our key audit procedures performed in respect of the above area included the following:

1. Assessed the policy used for the inventory allowance, based on the understanding of the operation of the company and the nature of the industry.
2. Understood and tested that the net realizable value was consistent with the policy set by the Company. Moreover, spot-checked the correctness of the calculation of the selling price and net realizable value of inventory with item numbers, respectively.
3. Obtained outdated inventory details identified by the management. Then, reviewed its relevant information and check the records.

Impairment assessment of property, plant and equipment

Description

Please refer to Note 4 (13) and (18) to the parent company only financial statements for the accounting policy about impairment of property, plant and equipment and non-financial asset. Please refer to Note 5 (2) to the parent company only financial statements for the uncertainty of accounting judgment and hypothesis of impairment of property, plant and equipment. Please refer to Note 6 (8) and (10) to the parent company only financial statements for the details of the information about the impairment of property, plant and equipment.

The Company estimates the recoverable amount of the property, plant and equipment based on its value-in-use and as the basis for the impairment assessment. As the value-in-use assessment procedure involves management's judgment, any changes due to economic conditions or company strategies may result in impairment in the future. As a result, the auditor has included the assessment of impairment of property, plant and equipment in the Company as one of the key audit matters for the year.

How our audit addressed the matter

The key audit matter influences the Company and some of its subsidiaries which are recognized by using the equity method. Our key audit procedures performed in respect of the above area included the following:

1. Examined the recoverable amount approved by management of assets with impairments on the balance sheet date. Moreover, recalculated the correctness of the relevant calculations.
2. Understood and evaluated the Company's asset impairment assessment procedures and accounting policies in accordance with the principles and consistent adoption. Furthermore, reviewed the methods used by management to determine the recoverable amount of individual assets.
3. According to the asset usage model and industrial characteristics, obtained the assessment information used by the management to determine the recoverable amount. Assessed the rationality of the independent cash flow of the asset group, the useful life of the asset, and the potential gains and losses in the future.

Accounting estimates on allowance for accounts receivable losses

Description

Please refer to Note 4 (8) to the parent company only financial statements for the accounting policy about accounts receivable. Please refer to Note 5 (2) to the parent company only financial statements for the uncertainty of accounting judgment and hypothesis of allowance

for uncollectible accounts—accounts receivable. Please refer to Note 6 (4) to the parent company only financial statements for the details of the information about accounts receivable. The Company adopts individual identification method to assess the impairment of accounts receivable. When the accounts receivable are overdue, the management of the Company will re-examine the possibility of account recovery. In addition, the management decide whether the amount provided under provision for allowance is appropriate case by case. As the assessment procedure involves management's judgment. Also, there are high probability of causing inappropriate accounting estimates. As a result, the auditor has included the assessment of provision for allowance for uncollectible accounts—accounts receivable in the Company as one of the key audit matters for the year.

How our audit addressed the matter

Our key audit procedures performed in respect of the above area included the following:

1. Understood the process by which management assesses the likelihood of recovering for individual accounts receivable.
2. Evaluated the appropriateness of the relevant supporting documents for the significant provision for allowance for accounts receivable recognized by the management.
3. Examined the collection situation after the balance sheet date, for the accounts receivable with significant amount mentioned above.
4. For accounts receivable that had not been received and had a significant amount after the balance sheet date, obtained relevant information and re-examined and assessed their adequacy.

Other matter—Reports of other independent accountants

We did not audit the financial statements of certain investments accounted for under the equity method. These investments accounted for under the equity method amounted to NT\$2,328,563 thousand and NT\$3,709,013 thousand, constituting 8.99% and 14.90% of total assets as of December 31, 2018 and 2017, respectively, and other comprehensive loss of subsidiaries, associates, and joint ventures accounted for under equity method amounted to NT\$1,215,470 thousand and NT\$313,423 thousand, constituting (231.31%) and 24.16% of total comprehensive income (loss) for the years ended December 31, 2018 and 2017, respectively. The financial statements of these investments accounted for under the equity method were audited by other independent auditors whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included in the separate financial statements and information disclosed relative to these investments, is based solely on the reports of other independent auditors.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the ability of CMC Magnetics corporation to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate CMC Magnetics corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including Audit Committee, are responsible for overseeing the financial reporting process of CMC Magnetics corporation.

Independent auditor’s responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS 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 separate financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of CMC Magnetics corporation.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of CMC Magnetics corporation to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate 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 auditor's report. However, future events or conditions may cause CMC Magnetics corporation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within CMC Magnetics corporation to express an opinion on the separate financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

Yu. Shu-fen
Independent Accountants
Chang, Shu-chiung

For and on behalf of PricewaterhouseCoopers, Taiwan

Financial Supervisory Commission, R.O.C (Taiwan)
Approval number: Order No. Financial-Supervisory-
Securities-Auditing-1030027246
Financial Supervisory Commission, Executive Yuan
Approval number: Order No. Financial-Supervisory-
Securities-Auditing-0990042602

March 20, 2019

CMC MAGNETICS CORPORATION AND SUBSIDIARIES

PARENT COMPANY ONLY BALANCE SHEETS

DECEMBER 31, 2018 AND 2017

(EXPRESSED IN THOUSAND OF NEW TAIWAN DOLLARS)

	<u>Assets</u>	<u>Notes</u>	<u>December 31, 2018</u>		<u>December 31, 2017</u>	
			<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
	<u>Current assets</u>					
1100	Cash and cash equivalents	6(1)	\$ 2,729,140	11	\$ 1,629,003	7
1110	Financial assets at fair value through profit or loss - current	6(2) and 12(4)	1,732,573	7	1,492,845	6
1125	Available-for-sale financial assets - current	12(4)	-	-	46,463	-
1150	Notes receivable	6(4)	1,190	-	3,568	-
1160	Notes receivable - related parties	7	8,678	-	9,000	-
1170	Accounts receivable	6(4)(5)	1,111,478	4	1,444,012	6
1180	Accounts receivable - related parties	7	112,035	-	74,726	-
1200	Other receivables	6(5)	495,208	2	271,385	1
1210	Other receivables - related parties	7	1,160,020	4	1,148,601	5
130X	Inventories	6(6)	924,516	4	821,077	3
1476	Other financial assets - current	8	31,753	-	63,770	-
1479	Other current assets - current		62,114	-	144,435	1
11XX	Total current assets		<u>8,368,705</u>	<u>32</u>	<u>7,148,885</u>	<u>29</u>
	<u>Non-current assets</u>					
1510	Financial assets at fair value through profit or loss - non-current	6(2) and 8	312,000	1	275,080	1
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	31,860	-	-	-
1543	Financial assets carried at cost - non-current	12(4)	-	-	49,353	-
1550	Investments accounted for under equity method	6(7) and 8	10,700,620	42	10,210,204	41
1600	Property, plant and equipment	6(8)(10) and 8	5,219,840	20	6,014,825	24
1760	Net Investment property	6(9) and 8	547,845	2	411,328	2
1780	Intangible assets		21,951	-	40,575	-
1840	Deferred income tax assets	6(25)	260,844	1	321,278	1
1900	Other non-current assets	6(11)	447,891	2	428,402	2
15XX	Total non-current assets		<u>17,542,851</u>	<u>68</u>	<u>17,751,045</u>	<u>71</u>
1XXX	<u>TOTAL ASSETS</u>		<u>\$ 25,911,556</u>	<u>100</u>	<u>\$ 24,899,930</u>	<u>100</u>

(Continued)

CMC MAGNETICS CORPORATION AND SUBSIDIARIES

PARENT COMPANY ONLY BALANCE SHEETS

DECEMBER 31, 2018 AND 2017

(EXPRESSED IN THOUSAND OF NEW TAIWAN DOLLARS)

	<u>Liabilities and Equity</u>	<u>Notes</u>	<u>December 31, 2018</u>		<u>December 31, 2017</u>	
			<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
	<u>Current liabilities</u>					
2100	Short-term loans	6(12)	\$ 250,000	1	\$ 30,000	-
2120	Financial liabilities at fair value through profit or loss - current	6(13)	-	-	122	-
2130	Contract liabilities - current	6(20)	93,886	-	-	-
2150	Notes payables		365,665	2	388,151	2
2170	Accounts payable		608,841	2	583,154	2
2180	Accounts payable- related parties	7	106,022	1	174,143	1
2200	Other payables		391,896	2	321,220	1
2220	Other payables- related parties	7	1,401,000	5	1,608	-
2320	Long-term liabilities - current portion	6(14) and (8)	1,139,940	4	1,104,940	4
2399	Other current liabilities		30,814	-	268,277	1
21XX	Total current liabilities		<u>4,388,064</u>	<u>17</u>	<u>2,871,615</u>	<u>11</u>
	<u>Non-current liabilities</u>					
2540	Long-term loans	6(14) and (8)	1,968,460	7	2,484,020	10
2600	Other non-current liabilities	6(7)(15)(25)	488,628	2	467,022	2
25XX	Total non-current liabilities		<u>2,457,088</u>	<u>9</u>	<u>2,951,042</u>	<u>12</u>
2XXX	Total liabilities		<u>6,845,152</u>	<u>26</u>	<u>5,822,657</u>	<u>23</u>
	<u>Equity</u>					
	Share capital	6(16)				
3110	Share capital - common shares		17,741,264	69	18,306,475	74
	Additional paid-in capital	6(17)				
3200	Additional paid-in capital		7,542,770	29	7,441,417	30
	Retained earnings	6(18)				
3350	Accumulated deficit		(5,671,352)	(22)	(6,293,519)	(25)
	Other equity					
3400	Other equity	6(19)	(295,175)	(1)	(208,030)	(1)
	Treasury stock					
3500	Treasury stock	6(16)	(251,103)	(1)	(169,070)	(1)
3XXX	Total equity		<u>19,066,404</u>	<u>74</u>	<u>19,077,273</u>	<u>77</u>
	Significant contingent liabilities and unrecognized contract commitments	6(14) 、 7 and 9				
	Significant events after balance sheet date	11				
3X2X	<u>TOTAL LIABILITIES AND EQUITY</u>		<u>\$ 25,911,556</u>	<u>100</u>	<u>\$ 24,899,930</u>	<u>100</u>

The accompanying notes are an integral part of these separate financial statements.

Chairman : WONG, MING-SEN

Manager : WONG, MING-SEN

Accounting Supervisor : YANG, PI-YIN

CMC MAGNETICS CORPORATION
PARTENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE AMOUNTS)

Items	Notes	2018		2017	
		Amount	%	Amount	%
4000 Operating revenues	6(20) and 7	\$ 6,643,919	100	\$ 6,727,951	100
5000 Operating costs	6(6)(15)(24) and (7)	(6,093,215)	(92)	(6,595,380)	(98)
5900 Gross profits		550,704	8	132,571	2
5910 Unrealized gain from sale		2,022	-	9,570	-
5920 Realized gain from sale		(9,570)	-	(12,904)	-
5950 Gross profit from operations		543,156	8	129,237	2
Operating expenses	6(15)(24)(27)				
6100 Selling expenses		(289,642)	(4)	(276,241)	(4)
6200 Administrative expenses		(171,412)	(3)	(204,219)	(3)
6300 Research and development expenses		(166,477)	(2)	(212,070)	(3)
6450 Expected credit impairment profit	12(2)	17,831	-	-	-
6000 Total operating expenses		(609,700)	(9)	(692,530)	(10)
6900 Operating loss		(66,544)	(1)	(563,293)	(8)
Non-operating income and expenses					
7010 Other income	6(21) and 7	163,851	3	222,346	3
7020 Other gains and losses	6(2)(13)(22)	(340,846)	(5)	34,057	1
7050 Financial costs	6(23)	(89,387)	(1)	(122,232)	(2)
7070 Share of Profit or Loss of Associates & Joint Ventures Accounted for Using Equity Method		823,970	12	(579,979)	(9)
7000 Total non-operating income and expenses		557,588	9	(445,808)	(7)
7900 Profit (loss) before income tax		491,044	8	(1,009,101)	(15)
7950 Income tax expenses	6(25)	(60,840)	(1)	(119,243)	(2)
8200 Profit (loss) for the year		\$ 430,204	7	\$ 1,128,344	(17)
Other comprehensive income, net					
Components of other comprehensive income that will not be reclassified to profit or loss					
8311 Remeasurement of defined benefit obligation	6(15)	\$ 6,458	-	\$ 54,972	1
8316 Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	6(3)(19)	(8,559)	-	-	-
8330 Share of other comprehensive income of associates and joint ventures accounted for under equity method, components of other comprehensive income (loss) that will not be reclassified to profit or loss		1,485	-	230	-
8349 Income tax related to components of other comprehensive that will not be reclassified to profit or loss	6 (25)	1,645	-	(9,384)	-
8310 Total amounts of other comprehensive income that will not be reclassified to profit or loss		1,029	-	45,818	1
Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361 Exchange differences on translation of foreign financial statements	6(19)	96,280	1	(169,409)	(2)
8362 Unrealized gain on available-for-sale financial assets	6(19) and 12(4)	-	-	(57,498)	(1)
8380 Share of other comprehensive income of associates and joint ventures accounted for under equity method, components of other comprehensive income (loss) that will be reclassified to profit or loss	6(19)	(2,049)	-	12,307	-
8360 Total amounts of other comprehensive income (loss) that will be reclassified to profit or loss		94,231	1	(214,600)	(3)
8500 Total Comprehensive Income		\$ 525,464	8	\$ 1,297,126	(19)
Earnings (loss) Per Share					
9750 Basic and diluted earnings per share	6(26)	\$	0.24	\$	0.61

The accompanying notes are an integral part of these separate financial statements.

Chairman : WONG, MING-SEN

Manager : WONG, MING-SEN

Accounting Supervisor : YANG, PI-YIN

CMC MAGNETICS CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Expressed in thousands of New Taiwan Dollars

	Notes	Common shares	Additional paid-in capital	Unappropriated retained earnings	Other Equity Interest			Treasury stock	Total
					Exchange differences on translation of foreign financial statements	Unrealized gains or losses on financial assets at fair value through other comprehensive income	Unrealized gains or losses on available-for-sale financial assets		
For the year ended December 31, 2017									
Balance at January 1, 2017		\$ 18,778,715	\$ 7,170,157	(\$ 5,199,745)	(\$ 39,305)	\$ -	\$ 45,875	(\$ 169,070)	\$ 20,586,627
Loss for the year		-	-	(1,128,344)	-	-	-	-	(1,128,344)
Other comprehensive loss for the year	6(19)	-	-	45,818	(170,348)	-	(44,252)	-	(168,782)
Total comprehensive income for the year		-	-	(1,082,526)	(170,348)	-	(44,252)	-	(1,297,126)
Increase in treasury stock	6(16)	-	-	-	-	-	-	(200,980)	(200,980)
Decrease in treasury stock		(472,240)	271,260	-	-	-	-	200,980	-
Changes in ownership interest in subsidiaries		-	-	(11,248)	-	-	-	-	(11,248)
Balance at December 31, 2017		\$ 18,306,475	\$ 7,441,417	(\$ 6,293,519)	(\$ 209,653)	\$ -	\$ 1,623	(\$ 169,070)	\$ 19,077,273
For the year ended December 31, 2018									
Balance at January 1, 2018		\$ 18,306,475	\$ 7,441,417	(\$ 6,293,519)	(\$ 209,653)	\$ -	\$ 1,623	(\$ 169,070)	\$ 19,077,273
Effect of retrospective application and restatement		-	-	208,289	-	(175,923)	(1,623)	-	30,743
Balance at January 1, after adjustments		18,306,475	7,441,417	(6,085,230)	(209,653)	(175,923)	-	(169,070)	19,108,016
Profit for the year		-	-	430,204	-	-	-	-	430,204
Other comprehensive income (loss) for the year	6(19)	-	-	15,664	94,231	(14,635)	-	-	95,260
Total comprehensive income		-	-	445,868	94,231	(14,635)	-	-	525,464
Increase in treasury stock	6(16)	-	-	-	-	-	-	(545,994)	(545,994)
Decrease in treasury stock	6(16)(17)	(565,211)	101,250	-	-	-	-	463,961	-
Changes in ownership interest in subsidiaries	6(17)	-	103	(21,185)	-	-	-	-	(21,082)
Disposal of financial assets at fair value through other comprehensive income	6(3)(19)	-	-	(10,805)	-	10,805	-	-	-
Balance at December 31, 2018		\$ 17,741,264	\$ 7,542,770	(\$ 5,671,352)	(\$ 115,422)	(\$ 179,753)	\$ -	(\$ 251,103)	\$ 19,066,404

The accompanying notes are an integral part of these separate financial statements.

Chairman WONG, MING-SEN

Manager : WONG, MING-SEN

Accounting Supervisor : YANG, PI-YIN

CMC MAGNETICS CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Expressed in thousands of New Taiwan Dollars

<u>Cash flows from operating activities</u>				
Profit (loss) before income tax		\$ 491,044	(\$ 1,009,101)	
Adjustments				
Income charges (credits)				
Depreciation and amortization	6(8)(24)	658,531		897,826
Depreciation of investment properties (showed as Other gains and losses)	6(9)(22)	21,883		19,421
Gain on expected credit of impairment		(17,831)		-
Bad debt provision of allowance for doubtful accounts		-		16,015
Net loss (gain) on financial assets at fair value through profit or loss	6(2)(13)(22)	300,120	(	49,157)
Impairment losses of non-financial assets	6(22)	95,980		-
Interest expense	6(23)	72,787		92,634
Interest income	6(21)	(23,199 )	(	20,986)
Dividend income	6(21)	(42,940 )	(	51,102)
Share of gain (loss) of subsidiaries, associates and joint ventures accounted for using equity method		(823,970)		579,979
Gain on disposal of property, plant and equipment	6(22)	(6,717 )	(	4,352)
Gain on disposal of investments	6(22)	-	(	101,155)
Realized loss from inter-affiliate accounts		9,570		12,904
Unrealized loss from inter-affiliate accounts		(2,022 )	(	9,570)
Changes in operating assets and liabilities				
Changes in operating assets				
Financial assets held for trading		-	(	588,069)
Financial assets mandatorily measured at fair value through profit or loss		(514,598)		-
Notes receivable (including related and non-related parties)		2,724	(	733)
Accounts receivable (including related and non-related parties)		253,344	(	82,583)
Other receivables (including related and non-related parties)		(126,575 )	(	38,125)
Inventories		(103,439)		250,808
Other current assets		82,322		18,475
Changes in operating liabilities				
Financial liabilities held for trading		(15,829 )	(	12,471)
contract liability- current		(98,190)		-
Notes and accounts payable (including related and non-related parties)		(75,814)		175,278
Other payables (including related and non-related parties)		54,455		3,616
Other current liabilities		(45,387)		57,140
Pension liabilities		(13,129 )	(	4,802)
Cash inflow generated from operations		133,120		151,890
Receipt of interest		23,208		21,114
Receipt of dividend		124,964		124,645
Payment of interest		(72,257 )	(	93,817)
Payment of income tax		(2,238)	(1,937)
Net cash generated by operating activities		<u>206,797</u>		<u>201,895</u>

(Continued)

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Chairman : WONG, MING-SEN

Manager : WONG, MING-SEN

Accounting Supervisor : YANG, PI-YIN

CMC MAGNETICS CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Expressed in thousands of New Taiwan Dollars

<u>Cash flows from investing activities</u>		
Increase in fund accommodation receivable for related parties	(\$ 13,000)	(\$ 1,083,000)
Financial assets at fair value through other comprehensive income		
Capital reduction	4,963	-
Financial assets at fair value through other comprehensive income		
Liquidation	1,276	-
Acquisition of available-for-sale financial assets	-	(895)
Proceeds from disposal of available-for-sale financial assets	-	254,790
Proceeds from disposal of financial assets at cost	-	324
Capital reduction of financial assets at cost	-	4,489
Acquisition of investments accounted for under equity method	(95,017)	(60,383)
Capital reduction of investments accounted for under equity method	484,352	155,028
Proceeds from disposal of property, plant and equipment	8,825	4,795
Decrease in other financial assets	2,226	690,279
Decrease (increase) in refundable deposits	55	(115)
Increase in other noncurrent assets	(8,428)	(28,420)
Increase in prepayment for equipment	6(28) (96,398)	(57,958)
Net cash generated by investing activities	<u>288,854</u>	<u>(121,066)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Increase (decrease) in short-term loans	220,000	(227,244)
Increase (decrease) in fund accommodation payable from related parties	6(29) 1,400,000	(128,880)
Increase in long-term loans	6(29) 1,490,000	3,240,000
Repayment in long-term loans	6(29) (1,970,560)	(3,344,440)
Increase (decrease) in guarantee deposit received	3,678	(1,020)
Cost of treasury stock	6(16) (538,632)	(200,980)
Net cash generated financing activities	<u>604,486</u>	<u>(662,564)</u>
Increase (decrease) in cash and cash equivalents	1,100,137	(581,735)
Cash and cash equivalents at beginning of year	<u>1,629,003</u>	<u>2,210,738</u>
Cash and cash equivalents at end of year	<u>\$ 2,729,140</u>	<u>\$ 1,629,003</u>

The accompanying notes are an integral part of these separate financial statements.

Chairman : WONG, MING-SEN

Manager : WONG, MING-SEN

Accounting Supervisor : YANG, PI-YIN

Appendix 4

AUDIT REPORT OF INDEPENDENT ACCOUNTANTS

(2019) PWCR18004214

To the Board of Directors and Shareholders of CMC Magnetics Corporation:

Opinion

We have audited the accompanying consolidated balance sheets of CMC Magnetics Corporation and its subsidiaries (the “Group”) as at December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and reports of other independent accountants (Please refer to *Other Matter* section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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 in the Republic of China (“ROC GAAS”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our responsibilities in accordance with the Code. Based on our audits and reports from independent accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group’s consolidated financial statements of the year 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

The most significant key audit matters in our audit of the financial statements of the current period are as follows:

Accounting estimates on valuation of inventories

Description

For accounting policies on valuation of inventory, please refer to Note 4(13). For accounting estimates and assumptions applied in the accounting policy of valuation of inventory, please refer to Note 5(2). For details of inventory, please refer to Note 6(7).

The Group is primarily engaged in manufacturing and selling disc. Such inventories vary due to frequent market price fluctuations, which causes a higher risk of losses of decline in inventory. Owing to the significant cash amount of inventory, a large number of projects and the specific identification of obsolete inventories which usually involves judgement, and the valuation of inventory is also required during the audit process. Thus, we consider the valuation of inventory a key audit matter.

How our audit addressed the matter

We performed the following audit procedures to the key audit matter mentioned above:

1. Evaluated the Group's policies on the allowance to reduce inventory to market based on the understanding of the its operation and the nature of industry.
2. Tested whether the basis of net realizable value is consistent with the policies set by the Group, and selectively examined the price of particular material numbers of inventory and the accuracy of net realizable value calculation.
3. Obtained the details of obsolete inventory recognized by management; inspected its relevant information and checked the account records.

Impairment assessment of property, plant and equipment

Description

For the policies on impairment of property, plant and equipment and non-financial assets, please refer to Notes 4(15) and (20). For the uncertainty of the accounting estimate regarding impairment assessment of property, plant and equipment, please refer to Note 5(2). For the explanation on impairment of property, plant and equipment and non-financial assets, please refer to Notes 6(9) and (11).

The Group estimates the recoverable amount of property, plant and equipment with value in use and it is used as the basis for the impairment assessment. As the assessment process of value in use involves judgement by management, any estimated changes caused by economic

How our audit addressed the matter

We performed the following audit procedures to the key audit matter mentioned above:

1. We performed the follow Inspected the recoverable amount with indication of an impairment by management as at the date of balance sheets and re-audited the accuracy of relevant calculations.
2. Obtained an understanding and evaluation of the Group's asset impairment assessment procedures where accounting policies are in compliance with and consistent with accounting principles, including the inspection on the method used by management to determine the recoverable amount of individual assets.
3. Obtained the information of evaluation which management determines the recoverable amount based on the use of asset models and industrial characteristics, in order to assess the rationality of separate cash flows, service life of assets and, future possible resulting income and expenses for determining asset groups.

Accounting estimates on allowance for accounts receivable losses

Description

For accounting policies on accounts receivables, please refer to Note 4(10). For accounting estimates and assumptions applied in the accounting policy of allowance for accounts receivable losses, please refer to Note 5(2). For details of accounts receivables, please refer to Note 6(5).

The Group adopts specific identification to evaluate accounts receivable impairment. When the age of receivables is longer, its management will review the possibility of receivable collection and decide whether to have appropriate allowance in case of particular situation. In addition, such evaluation process which involves professional judgement by management may lead to high possibility of inappropriate accounting estimates. Thus, we consider accounting estimates on allowance for accounts receivable losses a key audit matter.

How our audit addressed the matter

We performed the following audit procedures to the key audit matter mentioned above:

1. Obtained an understanding of the assessment procedure of the possibility of recovering individual accounts receivable conducted by management.
2. Evaluated the appropriateness of the relevant supporting documents based on the individual significant accounts receivable impairment recognized by management.
3. Reviewed the situation after the receipt of the amount based on the accounts receivable of that significant amount.

4. Obtained relevant information to review and evaluate the adequacy based on the accounts receivables which were significant amount that has not been fulfilled after the balance sheet date.

Other matter–Reports of other independent accountants

We did not audit the financial statements of certain subsidiaries and investments accounted for under the equity method. Those financial statements were audited by other independent accounts, whose reports thereon have been furnished to us, and our opinion express herein, insofar as it relates to the amounts included in the financial statements. Total assets of NT\$3,631,689 thousand and NT\$4,670,740 thousand, constituting 14.32% and 18.02% of the consolidated total assets as of December 31, 2018 and 2017, respectively, and total operating revenues of NT\$740,077 thousand and NT\$598,969 thousand, constituting 8.50% and 6.54% of consolidated total operating revenues for the years then ended, respectively. In addition, we did not audit the financial statements of these investments accounted for under the equity method and the information on the investee disclosed in Note 13 ended December 31, 2018 and 2017 which were based on the financial statements and disclosure of other independent accountants appointed by investee. These investments amounted to NT\$467,448 thousand and NT\$471,939 thousand, constituting 1.84% and 1.82% of consolidated total assets as of December 31, 2018 and 2017, respectively, the recognized comprehensive income (including the share of profit of associates and joint ventures accounted for the equity method and other consolidated total comprehensive income) amounted to NT\$111,888 thousand and NT\$102,474 thousand, constituting 21.97% and (8.03%) of consolidated total comprehensive income ended December 31, 2018 and 2017.

Other matter–Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of CMC Magnetics Co., Ltd. as at and for the years ended December 31, 2018 and 2017.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS 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 consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to 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 auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

Yu. Shu-fen
Independent Accountants
Chang, Shu-chiung

For and on behalf of PricewaterhouseCoopers, Taiwan

Financial Supervisory Commission, R.O.C (Taiwan)
Approval number: Order No. Financial-Supervisory-
Securities-Auditing-1030027246
Financial Supervisory Commission, Executive Yuan
Approval number: Order No. Financial-Supervisory-
Securities-Auditing-0990042602

March 20, 2019

CMC MAGNETICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2018 AND 2017

(EXPRESSED IN THOUSAND OF NEW TAIWAN DOLLARS)

	Assets	Notes	December 31, 2018		December 31, 2017	
			Amount	%	Amount	%
	Current Assets					
1100	Cash and cash equivalents	6(1)	\$ 6,699,312	26	\$ 3,375,701	13
1110	Financial assets at fair value	6(2)and 12(4)	2,700,031	11	2,134,745	8
1125	Available for sale financial assets - current	12(4)	-	-	63,067	-
1136	Financial assets at amortized cost - current	6(4)	86,023	-	-	-
1144	Financial assets carried at cost - current	12(4)	-	-	54,118	-
1147	Investments in debt securities with no active market - current	12(4)	-	-	92,700	1
1150	Net notes receivable	6(5)	24,002	-	36,716	-
1170	Net accounts receivable	6(5)(6)and 7	1,392,465	6	1,836,787	7
1200	Other accounts receivable	6(6)	530,624	2	300,904	1
130X	Inventories	6(7)	1,470,396	6	1,477,903	6
1476	Other financial assets - current	8	90,977	-	192,230	1
1479	Other current assets	6(11)	268,899	1	335,973	1
11XX	Total current assets		<u>13,262,729</u>	<u>52</u>	<u>9,900,844</u>	<u>38</u>
	Non-current assets					
1510	Financial assets at fair value through profit or loss - non-current	6(2) 、 8and 12(4)	557,161	2	483,710	2
1517	Financial assets measured at fair value through other comprehensive income - non-current	6(3)	383,141	2	-	-
1523	Available-for-sale financial assets - non-current	12(4)	-	-	50,212	-
1543	Financial assets carried at cost- non-current	12(4)	-	-	339,119	1
1550	Investments accounted for under the equity method	6(8)	469,743	2	474,234	2
1600	Property, plant and equipment	6(9)(11)and 8	8,900,335	35	12,980,006	50
1760	Net investment property	6(10)and 8	386,636	2	130,860	1
1780	Intangible assets		88,685	-	169,990	1
1840	Deferred income tax assets	6(217)	520,645	2	562,097	2
1900	Other non-current assets	6(11)(12)and 8	791,776	3	834,286	3
15XX	Total non-current assets		<u>12,098,122</u>	<u>48</u>	<u>16,024,514</u>	<u>62</u>
1XXX	Total assets		<u>\$ 25,360,851</u>	<u>100</u>	<u>\$ 25,925,358</u>	<u>100</u>

(Continued)

CMC MAGNETICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017

(EXPRESSED IN THOUSAND OF NEW TAIWAN DOLLARS)

	Liabilities and Equity	Notes	December 31, 2018		December 31, 2017	
			Amount	%	Amount	%
	Current liabilities					
2100	Short-term loans	6(13)and 8	\$ 250,000	1	\$ 33,261	-
2120	Financial liabilities at fair value through profit or loss - current	6(14)	-	-	122	-
2130	Contract liabilities - current	6(22)and 12(5)	130,143	1	-	-
2150	Notes payable		375,437	1	412,973	2
2170	Accounts payable		823,402	3	836,837	3
2200	Other payables		655,313	3	622,798	2
2250	Provisions for liabilities - current		-	-	15,317	-
2320	Long-term liabilities-current portion	6(15)and 8	1,139,940	5	1,120,940	4
2399	Other current liabilities		90,302	-	382,036	2
21XX	Total current liabilities		<u>3,464,537</u>	<u>14</u>	<u>3,424,284</u>	<u>13</u>
	Non-current liabilities					
2540	Long-term loans	6(15)and 8	1,968,460	8	2,484,020	10
2570	Deferred income tax liabilities	6(27)	108,974	-	97,809	-
2600	Other non-current liabilities	6(8)(16)	324,647	1	345,818	1
25XX	Total non-current liabilities		<u>2,402,081</u>	<u>9</u>	<u>2,927,647</u>	<u>11</u>
2XXX	Total liabilities		<u>5,866,618</u>	<u>23</u>	<u>6,351,931</u>	<u>24</u>
	Equity					
	Equity attributable to owners of parent					
	Share capital	6(18)				
3110	Common shares		17,741,264	70	18,306,475	71
	Additional paid-in capital	6(19)				
3200	Additional paid-in capital		7,542,770	30	7,441,417	29
	Retained earnings	6(20)				
3350	Unappropriated retained earnings		(5,671,352)	(22)	(6,293,519)	(24)
	Other equity					
3400	Other equity	6(21)	(295,175)	(2)	(208,030)	(1)
	Treasury stocks					
3500	Treasury stocks	6(18)	(251,103)	(1)	(169,070)	(1)
31XX	Total equity attributable to owners of the parent		<u>19,066,404</u>	<u>75</u>	<u>19,077,273</u>	<u>74</u>
36XX	Non-controlling interest	4(3)	<u>427,829</u>	<u>2</u>	<u>496,154</u>	<u>2</u>
3XXX	Total equity		<u>19,494,233</u>	<u>77</u>	<u>19,573,427</u>	<u>76</u>
	Significant contingent liabilities and unrecognized contract commitments	6(15)(30)and 9				
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and equity		<u>\$ 25,360,851</u>	<u>100</u>	<u>\$ 25,925,358</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants.

CMC MAGNETICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSAND OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE DATA)

Items	Notes	2018		2017	
		Amount	%	Amount	%
4000 Operating revenues	6(8)(22) 、 7and 12(5)	\$ 8,707,381	100	\$ 9,155,743	100
5000 Operating costs	6(7)(16)(26)	(8,084,703)	(93)	(9,103,183)	(99)
5900 Gross profits		<u>622,678</u>	<u>7</u>	<u>52,560</u>	<u>1</u>
Operating expenses	6(16)(26)and 7				
6100 Selling expenses		(612,147)	(7)	(635,772)	(7)
6200 Administrative expenses		(430,013)	(5)	(495,921)	(5)
6300 Research and development expenses		(215,944)	(2)	(249,696)	(3)
6450 Expected credit impairment profit	12(2)	<u>17,514</u>	<u>-</u>	<u>-</u>	<u>-</u>
6000 Total operating expenses		<u>(1,240,590)</u>	<u>(14)</u>	<u>(1,381,389)</u>	<u>(15)</u>
6900 Operating loss		<u>(617,912)</u>	<u>(7)</u>	<u>(1,328,829)</u>	<u>(14)</u>
Non-operating income and expenses					
7010 Other income	6(4)(23)	151,076	2	271,096	3
7020 Other gains and losses	6(2)(8)(14)(24)	1,063,059	12	206,857	2
7050 Financial costs	6(25)	(90,193)	(1)	(131,198)	(1)
7000 Total non-operating income and expenses		<u>1,123,942</u>	<u>13</u>	<u>346,755</u>	<u>4</u>
7900 Profit (loss) before income tax		<u>506,030</u>	<u>6</u>	<u>(982,074)</u>	<u>(10)</u>
7950 Income tax expenses	6(27)	(82,631)	(1)	(145,236)	(1)
8200 Profit (loss) for the year		<u>\$ 423,399</u>	<u>5</u>	<u>\$ 1,127,310</u>	<u>(11)</u>

(Continued)

CMC MAGNETICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSAND OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE DATA)

	Items	Notes	2018		2017	
			Amount	%	Amount	%
	Other comprehensive income, net					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Remeasurements of defined benefit plans	6(16)	\$ 17,729	-	\$ 54,989	-
8316	Unrealized evaluated gains or losses on equity instrument investments at fair value through other comprehensive income	6(3)and 12(3)	(15,461)	-	-	-
8349	Income tax related to components that will not be reclassified	6(27)	(298)	-	(9,348)	-
8310	Total components of other comprehensive income that will not be reclassified to profit or loss		<u>1,970</u>	<u>-</u>	<u>45,641</u>	<u>-</u>
	Total components of other comprehensive income that will be reclassified to profit or loss					
8361	Exchange differences on translation of foreign financial statements	6(21)	86,037	1	(149,128)	(2)
8362	Unrealized evaluated gains or losses on available-for-sale financial assets	6(21)	-	-	(44,252)	-
8370	Share of other comprehensive income of associates accounted for using equity – components that may be reclassified to profit or loss	6(21)	(2,049)	-	(939)	-
8360	Total components of other comprehensive income that will be reclassified to profit or loss		<u>83,988</u>	<u>1</u>	<u>(194,319)</u>	<u>(2)</u>
8500	Total comprehensive income		<u>\$ 509,357</u>	<u>6</u>	<u>(\$ 1,275,988)</u>	<u>(13)</u>
	Profit attributable to:					
8610	Shareholders of the parent		\$ 430,204	5	(\$ 1,128,344)	(11)
8620	Non-controlling interest		(6,805)	-	1,034	-
	Total		<u>\$ 423,399</u>	<u>5</u>	<u>(\$ 1,127,310)</u>	<u>(11)</u>
	Total comprehensive income attributable to:					
8710	Shareholders of the parent		\$ 525,464	6	(\$ 1,297,126)	(13)
8720	Non-controlling interest		(16,107)	-	21,138	-
	Total		<u>\$ 509,357</u>	<u>6</u>	<u>(\$ 1,275,988)</u>	<u>(13)</u>
	Earnings (loss) per share					
9750	Basic and diluted earnings per share (loss)	6(28)	\$	0.24	(\$	0.61)

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants.

CMC MAGNETICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSAND OF NEW TAIWAN DOLLARS)

	Equity attributable to shareholders of the parent										
	Notes	Common shares	Additional paid-in capital	Unappropriated retained earnings	Other equity			Treasury stock	Total	Non-controlling interest	Total equity
					Exchange differences on translation of foreign financial statements	Unrealized gains or losses on financial assets at fair value through other comprehensive income	Unrealized gains or losses on available-for-sale financial assets				
For the year ended December 31, 2017											
Balance at January 1, 2017		\$ 18,778,715	\$ 7,170,157	(\$ 5,199,745)	(\$ 39,305)	\$ -	\$ 45,875	(\$ 169,070)	\$ 20,586,627	\$ 586,750	\$ 21,173,377
Loss for the year		-	-	(1,128,344)	-	-	-	-	(1,128,344)	1,034	(1,127,310)
Other comprehensive income for the year		-	-	45,818	(170,348)	-	(44,252)	-	(168,782)	20,104	(148,678)
Total comprehensive income for the year		-	-	(1,082,526)	(170,348)	-	(44,252)	-	(1,297,126)	21,138	(1,275,988)
Increase in treasury stock		-	-	-	-	-	-	(200,980)	(200,980)	-	(200,980)
Decrease in treasury stock	6(18)(19)	(472,240)	271,260	-	-	-	-	200,980	-	-	-
Changes in ownership interest in subsidiaries		-	-	(11,248)	-	-	-	-	(11,248)	11,259	11
Changes in non-controlling interest		-	-	-	-	-	-	-	-	11,386	11,386
Net income in cash amount of subsidiaries' non-controlling interest		-	-	-	-	-	-	-	-	(134,379)	(134,379)
Balance at December 31, 2017		<u>\$ 18,306,475</u>	<u>\$ 7,441,417</u>	<u>(\$ 6,293,519)</u>	<u>(\$ 209,653)</u>	<u>\$ -</u>	<u>\$ 1,623</u>	<u>(\$ 169,070)</u>	<u>\$ 19,077,273</u>	<u>\$ 496,154</u>	<u>\$ 19,573,427</u>

(Continued)

CMC MAGNETICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSAND OF NEW TAIWAN DOLLARS)

	Notes	Equity attributable to shareholders of the parent									
		Common shares	Additional paid-in capital	Unappropriated retained earnings	Other equity			Treasury stock	Total	Non-controlling interest	Total equity
					Exchange differences on translation of foreign financial statements	Unrealized gains or losses on financial assets at fair value through other comprehensive income	Unrealized gains or losses on available-for-sale financial assets				
For the year ended December 31, 2018											
Balance at January 1, 2018		\$ 18,306,475	\$ 7,441,417	(\$ 6,293,519)	(\$ 209,653)	\$ -	\$ 1,623	(\$ 169,070)	\$ 19,077,273	\$ 496,154	\$ 19,573,427
Effect of retrospective application and retrospective restatement	6(21)	-	-	208,289	-	(175,923)	(1,623)	-	30,743	-	30,743
Restated balance at January 1		18,306,475	7,441,417	(6,085,230)	(209,653)	(175,923)	-	(169,070)	19,108,016	496,154	19,604,170
Profit for the year		-	-	430,204	-	-	-	-	430,204	(6,805)	423,399
Other comprehensive income for the year	6(3)(21)	-	-	15,664	94,231	(14,635)	-	-	95,260	(9,302)	85,958
Total comprehensive income for the year		-	-	445,868	94,231	(14,635)	-	-	525,464	(16,107)	509,357
Increase in treasury stock	6(18)	-	-	-	-	-	-	(545,994)	(545,994)	-	(545,994)
Decrease in treasury stock	6(18)(19)	(565,211)	101,250	-	-	-	-	463,961	-	-	-
Changes in ownership interest in subsidiaries	6(19)(29)	-	103	(21,185)	-	-	-	-	(21,082)	27,619	6,537
Disposal of equity instrument at fair value through other comprehensive income	6(21)	-	-	(10,805)	-	10,805	-	-	-	-	-
Changes in non-controlling interest	6(17)	-	-	-	-	-	-	-	-	9,266	9,266
Net income in cash amount of Subsidiaries' non-controlling interest	6(29)	-	-	-	-	-	-	-	-	(89,103)	(89,103)
Balance at December 31, 2018		\$ 17,741,264	\$ 7,542,770	(\$ 5,671,352)	(\$ 115,422)	(\$ 179,753)	\$ -	(\$ 251,103)	\$ 19,066,404	\$ 427,829	\$ 19,494,233

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants.

CMC MAGNETICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSAND OF NEW TAIWAN DOLLARS)

	Notes	2018	2017
<u>Cash flows from operating activities</u>			
Profit (loss) before income tax for the year		\$ 506,030	(\$ 982,074)
Adjustments			
Income charges (credits)			
Depreciation (including property, plant and equipment and investment property)	6(9)(10)(26)	1,297,148	1,525,012
Amortization	6(26)	158,673	308,575
Bad debt provision of allowance for doubtful accounts		-	12,934
Gains on expected credit of impairment	12(2)	(17,514)	-
Interest expense	6(25)	73,593	101,280
Interest income	6(23)	(17,236)	(13,830)
Dividend income		(58,653)	(69,237)
Net gain (loss) on financial assets or liabilities at fair value through profit or loss	6(2)(14)(24)	175,175	(35,977)
Compensation cost of share-based payments	6(17)	9,266	11,386
Share of profit of associates accounted for under equity method	6(8)		
Profit on disposal of property, plant and equipment	6(9)(24)	(109,152)	(98,979)
Loss on disposal of other non-current assets	6(24)	1,954,655	(225,620)
Disposal of investment interest	6(24)(31)	48,826	-
Loss on liquidation in subsidiaries		(2,707)	(138,263)
Loss on financial assets of impairment		5,014	-
Loss on liquidation of investment accounted under the equity method	6(24)and 12(4)	-	53,478
Loss on non-financial assets of impairment	6(8)	-	663
Loss on non-financial assets of impairment	6(11)(24)	587,012	39,504
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial asset held for trading		(654,534)	(690,915)
Notes receivable (including related and unrelated parties)		12,714	(3,909)
Accounts receivable (including related and unrelated parties)		419,794	(93,383)
Other receivables		(157,015)	(30,592)
Inventories		4,891	482,133
Other current assets		89,862	31,725
Net changes in liabilities relating to operating activities			
Financial liability held for trading		(15,829)	(12,471)
Notes and trade payables		(48,507)	161,494
Other payables		14,498	(150,592)
Provisions for liabilities		-	(1,472)
Contract liability		(119,820)	-
Other current liabilities		(57,086)	31,254
Cash inflow generated from operations		189,788	212,124
Receipt of interest		17,181	13,973
Receipt of dividends		166,163	189,237
Payment of interest		(73,799)	(103,317)
Payment of income tax		(26,149)	(20,102)
Net cash generated by investing activities		273,184	291,915

(Continued)

<u>Cash flows from investing activities</u>			
Proceeds from acquisition of financial assets at fair value through other comprehensive income	12(3)	(\$	22,051) \$ -
Financial assets at fair value through other comprehensive income Capital reduction and stock withdrawal from liquidation	12(3)		9,136 -
Proceeds from acquisition of available-for-sale financial assets		- (	895)
Proceeds from disposal of available-for-sale Financial assets		-	305,908
Proceeds from acquisition of financial assets at cost		- (	28,034)
Proceeds from disposal of financial assets at cost		-	324
Stock withdrawal from capital reduction of financial assets at cost		-	4,489
Stock withdrawal from liquidation of financial assets at cost		-	870
Decrease in investments in debt securities with no active market		-	6,000
Proceeds from acquisition of investments in debt securities with no active market		- (	24,500)
Decrease in financial assets at amortized cost		6,677	-
Proceeds from disposal of investments in debt securities with no active market		-	2,493
Proceeds from acquisition of investment accounted under the equity method	6(8)	- (	1,615)
Stock withdrawal from capital reduction of investment accounted under the equity method	6(8)	7,000	-
Stock withdrawal from liquidation of investment accounted under the equity method	6(8)	-	9,763
Proceeds from acquisition of property, plant and equipment	6(31)	(	84,125) (51,682)
Proceeds from disposal of property, plant and equipment	6(9)	4,130,614	610,439
Proceeds from acquisition of intangible assets		(	48,028) (104,883)
Decrease in other financial assets		83,917	721,569
Disposal of net cash increase in subsidiaries	6(31)	754	-
Increase in other non-current assets		(	34,359) (33,066)
Increase in prepayments for equipment (shown as other current assets)	6(31)	(	134,344) (86,851)
Net cash generated by investing activities		<u>3,915,191</u>	<u>1,330,329</u>
<u>Cash flows from financing activities</u>			
Increase (decrease) in short-term loans	6(32)	216,739	(447,978)
Decrease in short-term notes and bills payable		-	(199,967)
Increase of long-term loans	6(32)	1,490,000	3,240,000
Repayment of long-term loans	6(32)	(	1,986,560) (4,331,735)
Decrease in other non-current liabilities		(	10,292) (11,309)
Cost of treasury stock repurchase		(	535,015) (200,980)
Payment of cash dividends in subsidiaries	4(3)	(	45,322) (76,935)
Changes in non-controlling interests		(	43,781) (57,444)
Net cash used by financing activities		(	914,231) (2,086,348)
Effects on cash and cash equivalents due to changes in exchange rate		49,467	(34,501)
Increase (decrease) in cash and cash equivalents		3,323,611	(498,605)
Cash and cash equivalents at beginning of year		3,375,701	3,874,306
Cash and cash equivalents at end of year		<u>\$ 6,699,312</u>	<u>\$ 3,375,701</u>

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants

Chairman : WONG, MING-SEN

Manager : WONG, MING-SEN

Accounting Supervisor : YANG, PI-YIN

Appendix 5

CMC Magnetics Corporation
Comparison Table of Procedures for Handling Acquisition and Disposal of
Assets Before and after Amendment

Articles	Before Amendment	After Amendment	Explanation
Article 3	<p>Scope of assets</p> <p>1. Negotiable securities: including stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund,, depositary receipts, call (put) warrants, beneficiary interest securities and asset backed securities.</p> <p>2. Real property (including land, houses and buildings, investment property, <u>land use right</u>, and construction enterprise inventory) and equipment.</p> <p>3. Memberships.</p> <p>4. Intangible assets: including <u>intangible assets</u> such as patents, copyrights, trademarks, and franchise rights.</p> <p><u>5.</u> Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).</p> <p><u>6.</u> Derivatives.</p> <p><u>7.</u> Asset acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.</p> <p>8. Other major assets.</p>	<p>Scope of assets</p> <p>1. Negotiable securities: including stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund,, depositary receipts, call (put) warrants, beneficiary interest securities and asset backed securities.</p> <p>2. Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.</p> <p>3. Memberships.</p> <p>4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.</p> <p><u>5. Right-of-use assets.</u></p> <p><u>6.</u> Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).</p> <p><u>7.</u> Derivatives.</p> <p><u>8.</u> Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.</p> <p><u>9.</u> Other major assets.</p>	Amended in response to the law
Article 4	<p>Terms Definitions</p> <p>1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, <u>and compound contracts</u> combining the above <u>merchandise</u>, whose value is derived from <u>assets</u>, interest rates, foreign exchange rates, indexes or <u>other interests</u>. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.</p>	<p>Terms Definitions</p> <p>1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts,</p>	Amended in response to the law

Articles	Before Amendment	After Amendment	Explanation
	<p>2. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired and disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156, Paragraph 8 of the Company Act.</p> <p>(omitted)</p>	<p>long-term leasing contracts, or long-term purchase (sales) contracts.</p> <p>2. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156-3 of the Company Act.</p> <p>(omitted)</p>	
Article 5	<p>Any professional appraiser and its appraisal personnel, CPA, attorneys, or securities underwriters whom the Company has acquired appraisal reports and opinions from, shall not be a related party of the Company or the other party of the transaction.</p>	<p>Any professional appraiser and its appraisal personnel, CPA, attorneys, or securities underwriters whom the Company has acquired appraisal reports and opinions from, <u>shall meet the following requirements:</u></p> <ol style="list-style-type: none"> 1. <u>May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of this Act, the Company Act, the Banking Act of Taiwan, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, encroachment, forgery of documents or occupational crimes. However, the provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</u> 2. <u>May not be a related party or de facto related party of any party to the transaction.</u> 3. <u>If the Company is required to obtain appraisal reports from two or more</u> 	Amended in response to the Act

Articles	Before Amendment	After Amendment	Explanation
		<p><u>professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other. When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</u></p> <p><u>1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</u></p> <p><u>2. When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use it as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be published in details in the case work paper.</u></p> <p><u>3. The sources of data used, the parameters, and the information shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness as the basis for issuance of the appraisal report or the opinion.</u></p> <p><u>4. The statement shall include the professionalism and independence of the relevant personnel, the information used for evaluation is reasonable and correct, and that they have complied with applicable laws and regulations.</u></p>	
Article 6	<p>Quota on <u>investment</u> of non-operational purpose real property and security</p> <p>1. The quota of assets acquired by The Company as set out in <u>Article 3</u> are as follows:</p> <p>(1) The total amount of real property <u>purchased</u> for non-business use shall not exceed 20% of the net value <u>as the limit.</u></p> <p>(2) The total amount of the <u>purchase</u> of securities shall not exceed the current net value of the Company</p>	<p>Quota on <u>acquiring</u> non-operational purpose real property and <u>right-of-use assets thereof</u> and securities</p> <p>1. The quota of assets acquired by The Company as set out in <u>this Article</u> are as follows:</p> <p>(1) The total amount of real property <u>and right-of-use assets thereof acquired</u> for non-business use shall not exceed 20% of the net value.</p> <p>(2) The total amount of securities <u>acquired</u> shall not exceed the current net value of the Company, and the</p>	Amended in response to the Act

Articles	Before Amendment	After Amendment	Explanation
	<p>, and the investment of individual securities shall not exceed 30% of the current net value of the Company. The current net value is based on the most recent financial statement audited and certified by the CPA.</p> <p>2.Subsidiaries <u>invested</u> by the Company acquire the amount of assets set out in Article 3. If the subsidiary has a quota, it shall be prescribed. If there is no limit, it shall be <u>within</u> the following provisions:</p> <p>(1) The total amount of real property <u>purchased</u> for non-business use shall not exceed 20% of the net value of the subsidiary.</p> <p>(2) The total amount of securities <u>purchased</u> shall not exceed the net value of the subsidiary in the current period, and the <u>investment</u> in individual securities shall not exceed the <u>limit</u> of 30% of the Company's current net value. The current net value is based on the most recent financial statement audited and certified by the CPA. However, if the subsidiary is a professional investment company, its total assets shall not exceed 1.5 times of the net value, and <u>the investment amount for each investment target</u> shall not exceed the net value of the most recent financial statements audited and certified by the CPA. The current net value is based on the most recent financial statement audited and certified by the CPA.</p>	<p>acquisition of individual securities shall not exceed 30% of the current net value of the Company. The current net value is based on the most recent financial statement auditing and certified by the CPA.</p> <p>Subsidiaries <u>invested</u> by the Company acquire the amount of assets set out in this Article. If the subsidiary has a quota, it shall be prescribed. If there is no limit, the following provisions shall be followed:</p> <p>(1) The total amount of real property <u>and right-of-use assets thereof acquired</u> by non-business use shall not exceed 20% of the net value of the subsidiary.</p> <p>(2) The total amount of securities <u>acquired</u> shall not exceed the current net value of the subsidiary, and the individual securities <u>acquired</u> shall not exceed 30% of the net value of the subsidiary's current period. However, if the subsidiary is a professional investment company, its total assets shall not exceed 1.5 times of the net value, <u>and the individual securities acquired</u> shall not exceed the net value of the current period. The current net value is based on the most recent financial statement audited and certified by the CPA.</p>	
Article 7	<p>The Procedures for Acquisition <u>and</u> Disposal of Real Property <u>or</u> Equipment</p> <p>1. Evaluation and handing process Our Company's acquisition and disposal of real property <u>and</u> equipment shall comply with our Company's internal control system and equipment rules.</p>	<p>The Procedures for Acquisition and Disposal of Real Property, Equipment <u>or Right-of-Use Assets thereof</u> .</p> <p>1. Evaluation and handing process Our Company's acquisition and disposal of real property, equipment <u>or right-of-use assets thereof</u> shall comply with our Company's internal control system and equipment rules.</p>	Amended in response to the Act

Articles	Before Amendment	After Amendment	Explanation
	<p>2. Trade terms and conditions and credit limit decision-making procedure</p> <p>(1) Acquisition and disposal of real property shall first refer to the publicly announced current value, assessed value, actual transaction prices of the neighboring area to determine transaction terms and conditions and price. <u>An analysis report is to be delivered to the chairman</u>, and approve it step by step according to the Company's job authorization management method.</p> <p>(2) Acquisition and disposal of other equipment shall choose one method among price inquiry, price comparison, price negotiation, or bidding, and approve it step by step according to the Company's job authorization management method.</p> <p>3. Execution unit When our Company acquires and disposes real property <u>or</u> equipment, the user unit and the administration department shall be responsible for execution after approval of the preceding paragraph.</p> <p>4. Appraisal report for real property <u>or</u> other equipment Except for transactions with the government agencies, construction of local land, construction of land leases, or acquisition and disposal of equipment for business use. The transaction amount of our Company's acquisition and disposal of real property or equipment exceeding 20% of our Company's paid-up capital or NT\$300 million shall require a price appraisal report issued by a professional appraiser shall be obtained before the factual date <u>(the items to be recorded in the appraisal report shall be in accordance with the regulations prescribed by the</u></p>	<p>2. Trade terms and conditions and credit limit decision-making procedure</p> <p>(1) Acquisition and disposal of real property <u>or right-of-use assets thereof</u> shall first refer to the publicly announced current value, assessed value, actual transaction prices <u>or rental</u> prices of the neighboring area etc., to determine transaction terms and conditions and price for analysis report, and approve it step by step according to the Company's job authorization management method.</p> <p>(2) Acquisition and disposal of other equipment <u>or right-of-use assets thereof</u> shall choose one method among price inquiry, price comparison, price negotiation, or bidding, and approve it step by step according to the Company's job authorization management method.</p> <p>3. Execution unit When our Company acquires and disposes real property, <u>equipment or right-of-use assets thereof</u>, the user unit and the administration department shall be responsible for execution after approval of the preceding paragraph.</p> <p>4. Appraisal report for real property , other equipment <u>or right-of-use assets thereof</u>. Except for transactions with the <u>domestic</u> government agencies, construction of local land, construction of land leases, or acquisition and disposal of equipment for business use <u>or right-of-use assets thereof</u> .The transaction amount of our Company's acquisition and disposal of real property, <u>equipment or right-of-use assets thereof</u> , exceeding 20% of our Company's paid-up capital or NT\$300 million shall require a price appraisal report issued by a professional appraiser shall be obtained before the factual date and compliance to the</p>	

Articles	Before Amendment	After Amendment	Explanation
	<p><u>authority</u>) and compliance to the followings:</p> <p>(1) If a limited price, specific price, or special price is used as a reference for the transaction price, the same transaction shall require approval from the board of directors in advance. The same shall apply to future change of terms and conditions for transaction. (Omitted)</p>	<p>followings:</p> <p>(1) If a limited price, specific price, or special price is used as a reference for the transaction price, the same transaction shall require approval from the board of directors in advance. <u>Further</u> change of terms and conditions for transaction, <u>same</u> approval shall apply. (Omitted)</p>	
Article 8	<p>The Procedures for acquisition and disposal of securities <u>investment</u></p> <p>1. Evaluation and handing process Our Company's <u>purchase and sale</u> of securities shall comply with our Company's internal control system and investment rules. (Omitted)</p> <p>3. Execution unit When our Company invests in securities, the respective execution unit shall submit the verification and the order according to the authority of the previous paragraph, and the finance <u>division</u> shall be responsible for the execution of the transaction.</p>	<p>The Procedures for acquisition and disposal of securities</p> <p>1. Evaluation and handing process Our Company's <u>acquisition and disposal</u> of securities shall comply with our Company's internal control system and investment rules. (Omitted)</p> <p>3. Execution unit When our Company <u>acquires and disposes</u> securities, the respective execution unit shall submit the verification and the order according to the authority of the previous paragraph, and the finance <u>department</u> shall be responsible for the execution of the transaction.</p>	Amended in response to the Act
Article 9	<p>The Procedures for transaction by related party (Omitted)</p> <p>2. Assessment and Operational Procedure Our Company's intends to acquire and dispose of real property from or to a related party, or when it intends to acquire and dispose of assets other than real property from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money</p>	<p>The Procedures for transaction by related party (Omitted)</p> <p>2. Assessment and Operational Procedure (1) Our Company's intends to acquire and dispose of real property <u>or right-of-use assets thereof</u> from or to a related party, or when it intends to acquire and dispose of assets other than real property <u>or right-of-use assets thereof</u> from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except in trading of <u>domestic</u> government bonds or bonds under repurchase and resale</p>	Amended in response to the Act

Articles	Before Amendment	After Amendment	Explanation
	<p>market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following information have been approved by more than 1/2 of the members of the audit committee for approval, and after the approval of the board of directors: (Omitted)</p> <p>(3) To acquire real property from the related party, and to assess the reasonability of the intended transaction's terms and conditions under the subparagraph (1) and (4) of paragraph 3 in this Article. (Omitted)</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Subparagraph <u>5</u> of Paragraph 1 in Article 14 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the audit committee and recognized by the board need not be counted toward the transaction amount.</p> <p>With respect to <u>the acquisition and disposal of business-use equipment between</u> the Company and its subsidiaries, the board of directors may pursuant to Paragraph 2 in Article 7 delegate the chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board meeting.</p>	<p>agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following information have been approved by more than 1/2 of the members of the audit committee for approval, and after the approval of the board of directors: (Omitted)</p> <p>(3) To acquire real property <u>or right-of-use assets thereof</u> from the related party, and to assess the reasonability of the intended transaction's terms and conditions under the subparagraph (1) and (4) of paragraph 3 in this Article. (Omitted)</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Subparagraph <u>7</u> of Paragraph 1 in Article 14 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the audit committee and recognized by the board need not be counted toward the transaction amount.</p> <p>The Company and its subsidiaries, <u>or subsidiaries that directly or indirectly hold 100% of the issued shares or total capital engaged in the following transactions with each other</u>, the board of directors may pursuant to Paragraph 2 in Article 7 delegate the chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board meeting:</p> <ol style="list-style-type: none"> 1. <u>Acquire and dispose of equipment for business use or right-of-use assets thereof .</u> 2. <u>Acquire and dispose of the real property's use right assets for business use.</u> 	

Articles	Before Amendment	After Amendment	Explanation
	<p>(Omitted)</p> <p>3. Evaluation on reasonability of transaction costs</p> <p>(1) The Company, when acquiring real property from a related party shall, evaluate the reasonableness of the transaction costs by the following methods:</p> <p>(Omitted)</p> <p>(2) For joint acquisition of a same land and house, the separate assessments for the transaction cost of the land and the house shall be made pursuant to any of the above methods.</p> <p>(3) Our Company’s acquisition of real property from a related party shall require assessment on the real property cost pursuant to subparagraphs (1) and (2) of paragraph 3 in the preceding paragraph, and a secondary review and opinion from accountant are required.</p> <p>(4) If the assessment on the real property that our Company is to acquire from a related party pursuant to subparagraphs (1) and (2) of Paragraph 3 in this Article suggests the cost is lower than the transaction cost, then follow subparagraph (5) in paragraph 3 of the preceding paragraph. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:</p> <p>1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>(Omitted)</p>	<p>(Omitted)</p> <p>3.Evaluation on reasonability of transaction costs</p> <p>The Company, when acquiring real property <u>or right-of-use assets thereof</u> from a related party shall, evaluate the reasonableness of the transaction costs by the following methods:</p> <p>(Omitted)</p> <p>(2) For joint acquisition <u>or lease</u> of a same land and house, the separate assessments for the transaction cost of the land and the house shall be made pursuant to any of the above methods.</p> <p>(3) Our Company’s acquisition of real property <u>or right-of-use assets thereof</u> from a related party shall require assessment on the real property cost <u>or the cost of right-of-use assets</u>, that are pursuant to the <u>previous two</u> paragraphs, and a secondary review and opinion from accountant are required.</p> <p>(4) If the assessment on the real property <u>or right-of-use assets thereof</u> that our Company is to acquire from a related party pursuant to subparagraphs (1) and (2) of paragraph 3 in this Article suggests the cost is lower than the transaction cost, then follow subparagraph (5) of paragraph 3 in this Article. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:</p> <p>1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>(Omitted)</p>	

Articles	Before Amendment	After Amendment	Explanation
	<p>(2) The assessment on the <u>completed transaction</u> of other property having comparable acreage on other floor or in adjacent area to the property in concern traded by other non-related party, with terms and conditions complying with common practice in real property transactions, suggests similar terms and conditions.</p> <p>(3) <u>The assessment on other property on other floor leased to a non-related party in the past one year, with terms and conditions complying with common practice in real property transactions and referencing to price difference due to floor number, suggests similar terms and conditions.</u></p> <p>2. Our Company presents evidence that proves the terms and conditions of a transaction for the acquisition of a property from a related party are comparable to other <u>transaction completed</u> property of comparable acreage in adjacent area made between other non- related party. The term “<u>completed transaction</u>” in adjacent area shall mean, principally, a property locating on the same or neighboring block with a distance to the target property in concern does not exceed 500 meters and the publicly announced current value is comparable. The previously mentioned comparable acreage shall mean <u>completed transactions</u> of the property sales, having acreage no less than 50% of the target property’s acreage, made between other non-related party. The term “one year” <u>mentioned before</u> shall be the past year before the actual occurrence date of the property acquisition.</p> <p>(5) Where the Company acquires real property from a related party and the</p>	<p>(2) The assessment on the <u>transaction</u> of other property having comparable acreage on other floor or in adjacent area to the property in concern traded by other non-related party, with terms and conditions complying with common practice in real property transactions <u>or lease</u>, suggests similar terms and conditions.</p> <p>Delete this article</p> <p>2. Our Company presents evidence that proves the terms and conditions of a transaction for the acquisition of a property <u>or lease the property for its right-of-use assets thereof</u> from a related party are comparable to other property under <u>transaction</u> of comparable acreage in adjacent area made between other non-related party. The term “<u>transaction</u>” in adjacent area shall mean, principally, a property locating on the same or neighboring block with a distance to the target property in concern does not exceed 500 meters and the publicly announced current value is comparable. The previously mentioned comparable acreage shall mean the <u>transaction</u> property, having acreage no less than 50% of the target property’s acreage, made between other non-related party. The term “one year” shall be the past year before the actual occurrence date of the property acquisition or <u>right-of-use assets thereof</u> .</p> <p>(5) Where the Company acquires real property or <u>right-of-use assets thereof</u></p>	

Articles	Before Amendment	After Amendment	Explanation
	<p>results of appraisals conducted in accordance with Subparagraphs (1), (2), and (4) of Paragraph 3 in this Article, are uniformly lower than the transaction price, the following steps shall be taken.</p> <p>In addition, our Company <u>and the listed company investing in our Company adopting equity method for investment assessment</u> and having recognized the special reserve above-mentioned may not use the special reserve according to the following provisions, until the asset purchased at a high price has been recognized as loss or disposal due to price fall or adequately compensated or redeemed, or there is other evidence confirming that there was nothing unreasonable about the transaction, and approved by the authority.</p> <p>1. Regarding to the recognition of special reserve, according to paragraph 1 under the Article 41 of the Securities Exchange Act, our Company may not distribute or transfer as common stock for distribution the difference of the real property transaction price and assessed cost. A listed Company investing in our Company and adopting equity method for assessment shall recognize the special reserve at the shareholding ratio in accordance with paragraph 1 under the Article 41 of the Securities Exchange Act. (Omitted)</p> <p>3. According to Points 1 and 2 of Subparagraphs (5) of Paragraph 3 in this Article, should be reported to the shareholders' meeting and disclose the details of the transaction in the annual report and the prospectus.</p> <p>(6) Our Company acquiring real property from a related party having any of the following situations shall</p>	<p>from a related party and the results of appraisals conducted in accordance with Subparagraphs (1), (2), and (4) of Paragraph 3 in this Article, are uniformly lower than the transaction price, the following steps shall be taken.</p> <p>Our Company has recognized the special reserve above-mentioned may not use the special reserve according to the following provisions, until the asset purchased <u>or leased</u> at a high price has been recognized as loss or disposal <u>or termination of the lease</u> due to price fall or adequately compensated or redeemed, or there is other evidence confirming that there was nothing unreasonable about the transaction, and approved by the authority.</p> <p>1. Regarding to the recognition of special reserve, according to Paragraph 1 under the Article 41 of the Securities Exchange Act, our Company may not distribute or transfer as common stock for distribution the difference of the real property <u>or the transaction price of right-of-use assets thereof</u> and assessed cost. A listed company investing in our Company and adopting equity method for assessment shall recognize the special reserve at the shareholding ratio in accordance with Paragraph 1 under the Article 41 of the Securities Exchange Act. (Omitted)</p> <p>3. According to <u>the first</u> 2 points, should be reported to the shareholders' meeting and disclose the details of the transaction in the annual report and the prospectus.</p> <p>(6) Our Company acquiring real property <u>or its right-of-use assets</u> from a related party having any of the</p>	

Article	Before Amendment	After Amendment	Explanation
	<p>comply with paragraphs 2 under this Article regarding to the assessment and Operation Procedures, and subparagraphs (1), (2), and (3) of paragraph 3 in this Article concerning the assessment on transaction reasonability do not apply:</p> <ol style="list-style-type: none"> 1. The related party acquires the real property through inheritance or as a gift. 2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction. <p>(Omitted)</p> <p>New addition</p> <p>(7) The Company obtains real property from a related party, if there is other evidence indicating that the transaction has irregular business practices it shall also comply with Subparagraph (5) of Paragraph 3 in this Article.</p>	<p>following situations shall comply with paragraphs 2 under this Article regarding to the assessment and Operation Procedures, and subparagraphs (1), (2), and (3) of paragraph 3 in this Article concerning the assessment on transaction reasonability do not apply:</p> <ol style="list-style-type: none"> 1. The related party acquires the real property or right-of-use assets thereof through inheritance or as a gift. 2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction. <p>(Omitted)</p> <p><u>4. The Company and its subsidiaries, or subsidiaries that directly or indirectly hold 100% of the issued shares or total capital, acquire the real property's use right assets for business use.</u></p> <p>(7) The Company obtains real property <u>or right-of-use assets thereof</u> from a related party, if there is other evidence indicating that the transaction has irregular business practices, it shall also comply with Subparagraph (5) of Paragraph 3 in Article.</p>	
Article 10	<p>Procedure for acquisition and disposal of <u>membership certificate</u> or intangible asset</p> <ol style="list-style-type: none"> 1. Assessment and Operational Procedure Our Company's acquisition and disposal of membership certificate or intangible asset shall comply with our Company's internal control system for fixed asset cyclical procedure. 2. Transaction terms and conditions and authorization granting procedure <p>(Omitted)</p>	<p>Procedures for acquisition and disposal of intangible assets <u>or their right-of-use assets thereof</u> or membership certificates</p> <ol style="list-style-type: none"> 1. Assessment and Operational Procedure Our Company's acquisition and disposal of membership certificate or intangible asset <u>or right-of-use assets thereof</u> shall comply with our Company's internal control system for fixed asset cyclical procedure. 2. Transaction terms and conditions and authorization granting procedure <p>(Omitted)</p>	Amended in response to the Act

Article	Before Amendment	After Amendment	Explanation
	<p>(2) Acquiring and disposing of intangible assets shall be approved step by step according to the Company's Job Authorization Governing Regulations. Those with an amount of NT\$50 million or more shall refer to appraisal report by expert or fair market value, determine the trading conditions and the transaction price, then make an analysis report approved by the chairman. The amount of 20% of the paid-up capital or NT\$300 million or more shall be reported to the board of directors for approval.</p> <p>3. Execution unit Our Company acquiring or disposing <u>membership certificate</u> or intangible assets shall obtain approval according to the authorization level above-mentioned and the user unit and finance <u>division</u> or administration department shall be responsible for execution.</p> <p>4. Appraisal and opinion report by expert on <u>membership certificate</u> or intangible asset</p> <p>Our Company acquiring and disposing membership certificate or intangible assets with transaction amount of 20% of our Company's paid-up capital or NT\$300 million or more, unless the said transaction is made with the government agencies, shall have the accountant to present opinion on the reasonability of the transaction price prior to the actual occurrence date. The said accountant shall comply with Audit Principle Gazette No. 20 issued by the Accounting Research and Development Foundation.</p>	<p>(2) Acquiring and disposing of intangible assets <u>or right-of-use assets thereof</u> shall be approved step by step according to the Company's Job Authorization Governing Regulations. Those with an amount of NT\$50 million or more shall refer to appraisal report or fair market value, determine the trading conditions and the transaction price, then make an analysis report approved by the chairman. The amount of 20% of the paid-up capital or NT\$300 million or more shall be reported to the board of directors for approval.</p> <p>3. Execution unit Our Company acquiring or disposing intangible assets <u>or right-of-use assets thereof</u> membership certificate shall obtain approval according to the authorization level above-mentioned and the user unit and finance or administration <u>department</u> shall be responsible for execution.</p> <p>4. Appraisal and opinion report by expert on intangible assets <u>or right-of-use assets thereof</u> or membership certificate</p> <p>Our Company acquiring and disposing intangible assets <u>or right-of-use assets thereof</u> or membership certificate with transaction amount of 20% of our Company's paid-up capital or NT\$300 million or more, unless the said transaction is made with domestic government agencies, shall have the accountant to present opinion on the reasonability of the transaction price prior to the actual occurrence date. The said accountant shall comply with Audit Principle Gazette No. 20 issued by the Accounting Research and Development Foundation.</p>	

Article	Before Amendment	After Amendment	Explanation
Article 10-1	<p>The calculation of the transaction amounts referred to in Article 7, Article 8, and Article 10 shall be done in accordance with Subparagraph <u>(5)</u>, Paragraph 1 in Article 14, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount. The department and the finance <u>division</u> or the administrative department is responsible for implementation.</p>	<p>The calculation of the transaction amounts referred to in Article 7, Article 8, <u>Article 9</u>, and Article 10 shall be done in accordance with Subparagraph <u>(7)</u>, Paragraph 1 in Article 14, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.</p>	Amended in response to the Act
Article 14	<p>Public disclosure of information procedure 1. Information to be reported and the report standard (1) Acquisition and disposal of real property from or to a related party, or acquisition and disposal of assets other than real property from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more. However, this shall not apply to the trading of government bonds or bonds under repurchase and resale agreements and the purchase or redemption of domestic money market funds. (Omitted) (4) Where <u>the type of asset</u> acquired and disposed is <u>mechanical</u> equipment for business use, the trading counterparty is not a related party, and the transaction amount reaches one of the following provisions: (Omitted) (5) Where land is acquired under an arrangement on engaging others to build on the Company's own land,</p>	<p>Public disclosure of information procedure 1. Information to be reported and the report standard (1) Acquisition and disposal of real property <u>or right-of-use assets thereof</u> from or to a related party, or acquisition and disposal of assets other than real property <u>or right-of-use assets thereof</u> from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more. However, this shall not apply to the trading of domestic government bonds or bonds under repurchase and resale agreements and the purchase or redemption of <u>domestic</u> money market funds. (Omitted) (4) Where the asset acquired and disposed is equipment or <u>right-of-use assets thereof</u> for business use, the trading counterparty is not a related party, and the transaction amount reaches one of the following provisions: (Omitted) (5) Where land is acquired under an arrangement on engaging others to build on the Company's own land,</p>	Amended in response to the Act

Article	Before Amendment	After Amendment	Explanation
	<p>engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is more than NT\$500 million.</p> <p>(6) Where there is an asset transaction, other than any such transactions referred to in the preceding five subparagraphs, a disposal of receivables to a financial institution, or an investment in mainland China area that reaches 20% or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>1. Trading of government bonds. (Omitted)</p> <p>(7) The amount of transactions above shall be calculated as follows: "Within the preceding year" refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these regulations need not be counted toward the transaction amount. (Omitted)</p> <p>3. Amount accumulated for acquiring or disposing (separately accumulated for acquisition and disposal) the same real property development within one year. (Omitted)</p> <p>If the Company's stock is not par valued or the par value is not NT\$10, the transaction amount of 20% of the paid-up capital in this process is calculated at 10% of the interests attributable to the parent company.</p>	<p>engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, <u>and the trading counterparty is not a related party</u>. The amount the Company expects to invest in the transaction is more than NT\$500 million.</p> <p>(6) Where there is an asset transaction, other than any such transactions referred to in the preceding five subparagraphs, a disposal of receivables to a financial institution, or an investment in mainland China area that reaches 20% or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>1. Trading of <u>domestic</u> government bonds. (Omitted)</p> <p>(7) The amount of transactions above shall be calculated as follows: "Within the preceding year" refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these regulations need not be counted toward the transaction amount. (Omitted)</p> <p>3. Amount accumulated for acquiring or disposing (separately accumulated for acquisition and disposal) the same real property development <u>or right-of-use assets thereof</u> within the preceding year. (Omitted)</p> <p>If the Company's stock is not par valued or the par value is not NT\$10, the transaction amount of 20% of the paid-up capital in this process is calculated at 10% of the interests attributable to the parent company,</p>	

Article	Before Amendment	After Amendment	Explanation
		<u>the transaction amount for the paid-up capital amount of NT\$10 billion is calculated based on the interests attribute to the parent company of NT\$20 billion.</u>	
Article 15	<p>Our Company’s subsidiary shall comply with the followings: (Omitted)</p> <p>2. If the subsidiary is not a public company in Taiwan, the information of its acquisitions and disposals of assets which are subject to the declaration standard shall be announced and reported by the <u>parent company on behalf of the subsidiary.</u></p> <p>3. The declaration standard to a subsidiary that “<u>reaches 20%</u> of the <u>Company’s</u> paid-in capital or <u>10%</u> of total assets” base on paid-in capital or total assets of <u>parent</u> (our) Company.</p>	<p>Our Company’s subsidiary shall comply with the followings: (Omitted)</p> <p>2.If the subsidiary is not a <u>public company</u> in Taiwan, the information of its acquisitions and disposals of assets which are subject to the declaration standard shall be announced and reported by <u>the Company.</u></p> <p>3. The declaration standard to a subsidiary <u>regarding</u> its paid-in capital or total assets, based on paid-in capital or total assets of our Company.</p>	Amended in response to the Act

Appendix6

CMC Magnetics Corporation Procedures for Handling Acquisition and Disposal of Assets

Approved during the meeting of shareholders on June 17, 2010

Approved during the meeting of shareholders on June 15, 2012

Approved during the meeting of shareholders on June 12, 2014

Approved during the meeting of shareholders on June 2, 2015

Approved during the meeting of shareholders on June 16, 2017

Article 1: Applicable Laws and Regulations

These Procedures are promulgated pursuant to Article 36-1 of the Securities and Exchange Act (herein after referred to as the "SEA") and Regulations Governing the Acquisition and Disposal of Assets by Public Companies.

Article 2: Purpose

1. Obtain necessary assets at an appropriate price to protect investment and implement information disclosure.
2. Second, clarify Procedures for acquisition and disposal of assets to avoid the waste and abuse of assets.

Article 3: Scope of assets

1. Negotiable securities: including stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficiary interest securities and asset backed securities.
2. Real property (including land, houses and buildings, investment property, land use right, and construction enterprise inventory) and equipment.
3. Memberships.
4. Intangible assets: including intangible assets such as patents, copyrights, trademarks, and franchise rights.
5. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
6. Derivatives.
7. Asset acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
8. Other major assets.

Article 4: Definition

1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above merchandise, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.
2. Assets acquired and disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired and disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration there for (hereinafter "transfer of shares") under Article 156, paragraph 8 of the Company Act.
3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

4. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
5. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors' resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier, provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the governing authority shall apply.
6. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
7. "Within the preceding year" refers to the year preceding the date of occurrence of the current transaction. Items duly announced need not be counted toward the transaction amount.
8. The latest financial report shall mean the financial report audited, certified or review by a CPA and released to the public before the Company's acquisition and disposal of asset.

Article 5: Any professional appraiser and its appraisal personnel, CPA, attorneys, or securities underwriters whom the Company has acquired appraisal reports and opinions from, shall not be a related party of the Company or the other party of the transaction.

Article 6: Quota on investment of non-operational purpose real property and security

1. The quota of assets acquired by The Company as set out in Article 3 are as follows:
 - (1) The total amount of real property purchased for non-business use shall not exceed 20% of the net value as the limit.
 - (2) The total amount of the purchase of securities shall not exceed the current net value of the Company, and the investment of individual securities shall not exceed 30% of the current net value of the Company. The current net value is based on the most recent financial statement audited and certified by the CPA.
2. Subsidiaries invested by the Company acquire the amount of assets set out in Article 3. If the subsidiary has a quota, it shall be prescribed. If there is no limit, it shall be within the following provisions:
 - (1) The total amount of real property purchased for non-business use shall not exceed 20% of the net value of the subsidiary.
 - (2) The total amount of securities purchased shall not exceed the net value of the subsidiary in the current period, and the investment in individual securities shall not exceed the limit of 30% of the Company's current net value. The current net value is based on the most recent financial statement audited and certified by the CPA. However, if the subsidiary is a professional investment company, its total assets shall not exceed 1.5 times of the net value, and the investment amount for each investment target shall not exceed the net value of the most recent financial statements audited and certified by the CPA. The current net value is based on the most recent financial statement audited and certified by the CPA.

Article 7: The procedures for acquisition and disposal of real property or equipment

1. Evaluation and handling process

Our Company's acquisition and disposal of real property and equipment shall comply with our Company's internal control system and equipment rules.
2. Trade terms and conditions and credit limit decision-making procedure

- (1) Acquisition and disposal of real property shall first refer to the publicly announced current value, assessed value, actual transaction prices of the neighboring area to determine transaction terms and conditions and price. An analysis report is to be delivered to the chairman, and approve it step by step according to the Company's job authorization management method.
 - (2) Acquisition and disposal of other equipment shall choose one method among price inquiry, price comparison, price negotiation, or bidding, and approve it step by step according to the Company's job authorization management method.
3. Execution unit
- When our Company acquires and disposes real property or equipment, the user unit and the administration department shall be responsible for execution after approval of the preceding paragraph.
4. Appraisal report for real property or other equipment
- Except for transactions with the government agencies, construction of local land, construction of land leases, or acquisition and disposal of equipment for business use. The transaction amount of our Company's acquisition and disposal of real property or equipment exceeding 20% of our Company's paid-up capital or NT\$300 million shall require a price appraisal report issued by a professional appraiser shall be obtained before the factual date (the items to be recorded in the appraisal report shall be in accordance with the regulations prescribed by the authority) and compliance to the followings:
- (1) If a limited price, specific price, or special price is used as a reference for the transaction price, the same transaction shall require approval from the board of directors in advance. The same shall apply to future change of terms and conditions for transaction.
 - (2) If the transaction price is over NT\$1 billion, the Company should retain at least two professional appraisers to perform the appraisal
 - (3) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a CPA shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation ("ARDF") and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
 1. The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.
 2. The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.
 - (4) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date, provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.
 - (5) The Company for acquisition and disposal of assets through auction procedures of courts, the appraisal report or CPA's opinion can be replaced by documents issued by the courts.

Article 8: The Procedures for acquisition and disposal of securities investment

1. Evaluation and handing process

Our Company's purchase and sale of securities shall comply with our Company's internal control system and investment rules.

2. Decision-making procedure for transaction terms and conditions and credit authorization
 - (1) Trade of securities conducted at the stock exchange market or through a business site of a securities dealer shall be determined by the responsible unit with reference to the market status. The transaction amount shall comply with Company's job authorization management method. Monthly analysis of the unrealized interest or loss analysis report of the securities is available for decision makers.
 - (2) Trade of securities conducted not at the stock exchange market or not through a business site of a securities dealer shall use the target company's latest financial statements audited, attested, or scrutinized by a CPA as reference for transaction assessment with considerations of net value per share, profitability, and future potential of the target company. The amount concerned shall also comply with internal authorization system or passed to the board of directors for approval. It regularly submits the analysis of the unrealized interest or loss of the securities and evaluates its investment benefits.
3. Execution unit

When our Company invests in securities, the respective execution unit shall submit the verification and the order according to the authority of the previous paragraph, and the finance division shall be responsible for the execution of the transaction.
4. Obtain expert's opinions
 - (1) When the Company acquiring and disposing of securities, the transaction price reach 20% of the Company's paid-in capital or NT\$300 million, opinions in respect of a rational transaction price have to be sought from a CPA prior to the date of the event. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. These requirements are not applicable if such securities have a public price from an active market or where otherwise provided by regulations of the governing authority.
 - (2) The Company for acquisition and disposal of assets through auction procedures of courts, the appraisal report or CPA's opinion can be replaced by documents issued by the courts.

Article 9: The procedures for transaction by a related party

1. When the Company engages in any acquisition and disposal of assets from or to a related party, in addition to adhere to Procedures regulated in Article 7 to Article 10, the Company shall follow the relevant Procedures to ensure that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised properly. When the transaction amount reaches 10% or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion.

The calculation of the previous transaction amount shall be handled in accordance with Article 10-1.

In addition, when judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

2. Assessment and Operational Procedure

Our Company's intends to acquire and dispose of real property from or to a related party, or when it intends to acquire and dispose of assets other than real property from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following information have been approved by more than 1/2 of the members of the audit committee for approval, and after the approval of the board of directors:

- (1) The purpose, necessity and anticipated benefit of the property acquisition and disposal.
- (2) The reason for choosing the related party as a trading counterparty.
- (3) To acquire real property from the related party, and to assess the reasonability of the intended transaction's terms and conditions in accordance with Subparagraph (1) and (4) of Paragraph 3 in this Article.
- (4) The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.
- (5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- (6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding paragraph.
- (7) Restrictive covenants and other important stipulations associated with the transaction.

The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Subparagraph 5 of Paragraph 1 in Article 14 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the audit committee and recognized by the board need not be counted toward the transaction amount.

With respect to the acquisition or disposal of business-use equipment between the Company and its subsidiaries, the board of directors may pursuant to Paragraph 2 in Article 7 delegate the chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board meeting.

When the Company submits its report to the board of directors in accordance with Paragraph 2, it shall fully consider the opinions of the independent directors. If there is any objection or reservation of the independent director, it shall be recorded in the minutes of the board of directors' meeting. If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, such consents could be approved by more than two-thirds of all directors, and the resolution of the audit committee shall be stated in the minutes of the board meeting.

All the members of the audit committee referred to in the foregoing procedure and all the alleged directors are calculated by the actual incumbent.

3. Evaluation on reasonability of transaction costs

- (1) The Company, when acquiring real property from a related party shall, evaluate the reasonableness of the transaction costs by the following methods:
 1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer under the law. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property, provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
 2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan, provided the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of the property and the period of the loan shall have been one year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.
- (2) For joint acquisition of a same land and house, the separate assessments for the transaction cost of the land and the house shall be made pursuant to any of the above methods.
- (3) Our Company's acquisition of real property from a related party shall require assessment on the real property cost pursuant to Subparagraph (1) and (2) of Paragraph 1 in Article 3.
- (4) If the assessment on the real property that our Company is to acquire from a related party pursuant to Subparagraphs (1) and (2) of Paragraph 3 of this Article suggests the cost is lower than the transaction cost, then follow Subparagraph (5) of Paragraph 3 in this Article. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA has been obtained, this restriction shall not apply:
 1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
 - (1) The raw land is appraised pursuant to the methods provided in the previous articles, while the cost of the house shall be the stakeholder's construction cost plus reasonable construction profit, and the sum of the two exceeds the actual transaction price. The term reasonable construction profit shall be the average gross profit from operation of the construction department of the stakeholder over the past 3 years, or the construction industry gross profit ratio announced by the Ministry of Finance, whichever is lower.
 - (2) The assessment on the completed transaction of other property having comparable acreage on other floor or in adjacent area to the property in concern traded by other non-related party, with terms and conditions complying with common practice in real property transactions, suggests similar terms and conditions.
 - (3) The assessment on other property on other floor leased to a non-related party in the past one year, with terms and conditions complying with common practice in real property transactions and referencing to price difference due to floor number, suggests similar terms and conditions.

2. Our Company presents evidence that proves the terms and conditions of a transaction for the acquisition of a property from a related party are comparable to other transaction completed property of comparable acreage in adjacent area made between other non- related party. The term “completed transaction” in adjacent area shall mean, principally, a property locating on the same or neighboring block with a distance to the target property in concern does not exceed 500 meters and the publicly announced current value is comparable. The previously mentioned comparable acreage shall mean completed transactions of the property sales, having acreage no less than 50% of the target property’s acreage, made between other non-related party. The term “one year” mentioned before shall be the past year before the actual occurrence date of the property acquisition.
- (5) Where the Company acquires real property from a related party and the results of appraisals conducted in accordance with Subparagraphs (1), (2), and (4) of Paragraph 3 in this Article, are uniformly lower than the transaction price, the following steps shall be taken. In addition, our Company and the listed company investing in our Company adopting equity method for investment assessment and having recognized the special reserve above-mentioned may not use the special reserve according to the following provisions, until the asset purchased at a high price has been recognized as loss or disposal due to price fall or adequately compensated or redeemed, or there is other evidence confirming that there was nothing unreasonable about the transaction, and approved by the authority.
1. Regarding to the recognition of special reserve, according to Paragraph 1, Article 41 of the Securities Exchange Act, our Company may not distribute or transfer as common stock for distribution the difference of the real property transaction price and assessed cost. A listed Company investing in our Company and adopting equity method for assessment shall recognize the special reserve at the shareholding ratio in accordance with Paragraph 1 in Article 41 of the Securities Exchange Act.
 2. The audit committee shall observe Article 218 of the Company Act.
 3. According to Points 1 and 2 of Subparagraphs (5) of Paragraph 3 in this Article, should be reported to the shareholders’ meeting and disclose the details of the transaction in the annual report and the prospectus.
- (6) Our Company acquiring real property from a related party having any of the following situations shall comply with paragraphs 2 under this Article regarding to the assessment and Operation Procedures, and subparagraphs (1), (2), and (3) of paragraph 3 in this Article concerning the assessment on transaction reasonability do not apply:
1. The related party acquires the real property through inheritance or as a gift.
 2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.
 3. The real property is acquired by executing a joint property development agreement with a stakeholder or a construction project commissioned to the stakeholder on own land or leased land.
- (7) The Company obtains real property from a related party, if there is other evidence indicating that the transaction has irregular business practices it shall also comply with Subparagraph (5) of Paragraph 3 in this Article.

Article 10: Procedure for acquisition and disposal of membership certificate or intangible asset

1. Assessment and Operational Procedure

Our Company's acquisition and disposal of membership certificate or intangible asset shall comply with our Company's internal control system for fixed asset cyclical procedure.

2. Transaction terms and conditions and authorization granting procedure

(1) Acquiring or disposing of the membership certificate shall be approved step by step according to the Company's Job Authorization Governing Regulations. Those with an amount of NT\$5 million or more shall refer to the fair market value for determining the trading conditions and the transaction price, and make an analysis report approved by the chairman. The amount of which is 20% of the paid-in capital or NT\$300 million or more should be reported to the board of directors for approval.

(2) Acquiring and disposing of intangible assets shall be approved step by step according to the Company's Job Authorization Governing Regulations. Those with an amount of NT\$50 million or more shall refer to appraisal report by expert or fair market value, determine the trading conditions and the transaction price, then make an analysis report approved by the chairman. The amount of 20% of the paid-up capital or NT\$300 million or more shall be reported to the board of directors for approval.

3. Execution unit

Our Company acquiring and disposing membership certificate or intangible assets shall obtain approval according to the authorization level above-mentioned and the user unit and finance division or administration department shall be responsible for execution.

4. Appraisal and opinion report by expert on membership certificate or intangible asset

Our Company acquiring and disposing membership certificate or intangible assets with transaction amount of 20% of our Company's paid-up capital or NT\$300 million or more, unless the said transaction is made with the government agencies, shall have the accountant to present opinion on the reasonability of the transaction price prior to the actual occurrence date. The said accountant shall comply with Audit Principle Gazette No. 20 issued by the Accounting Research and Development Foundation.

Article 10-1: The calculation of the transaction amounts referred to in Article 7, Article 8, and Article 10 shall be done in accordance with Subparagraph (5) of Paragraph 1 in Article 14, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount. The department and the finance division or the administrative department is responsible for implementation.

Article 11: Procedure for acquiring and disposing financial institution's debenture

Basically, our Company does not engage in transactions of acquisition and disposal of financial institution's debenture. If such transaction is ever to be engaged in the future, it shall first require approval from the board, followed by respective assessment and Operational Procedure and governed by Article 13: Procedure for acquiring and disposing derivatives.

Article 12: Procedure for acquiring and disposing derivatives

1. Transaction principles and guidance:

(1) Type of transaction

Derivatives engaged by the Company are transaction contracts (such as forward contracts, options contracts, futures contracts, and swap contracts, and compound contracts combining the above products) whose value is derived from commodities such as assets, interest rates, foreign exchange rates, commodities, indexes or other interests.

(2) Management (Hedging) strategy

1. Business strategy of the transaction: In order to strengthen the management of the company's assets and liabilities, improve the efficiency of capital utilization and risk avoidance, its strategy is mainly financial hedging. If there is a transaction other than hedging, it must be under the provisions of Subparagraph 4(B) of Paragraph (3) in this Article.

2. The hedging strategy of the transaction: The operation of the company is international, it is necessary to use the transaction of derivatives to avoid the risks arising from the business operations of the company.

(3) Division of authority and responsibility

1. Transaction Agent

(1) Execute the transaction according to the job authorization management method and the strategy that is already established. If the financial market has major changes and the judgment of transaction agent is not applicable to the current strategy. Then an assessment report is submitted at any time, and the strategy is re-planned and approved by the general manager as the basis for trading.

(2) Monthly evaluation, evaluation report is presented to the general manager.

2. Audit Department

Responsible for understanding the admissibility of internal control of derivative transactions and checking the compliance of the trading department with the Operating Procedures, and analyzing the trading cycle, making an audit report, and submitting it to the audit committee after completion of the audit project before the end of the following month. When a major violation is discovered or the company suffers a major loss, the report shall be submitted immediately and the audit committee shall be notified.

3. Performance Evaluation

(1) The basis of performance evaluation is the profit and loss generated between the cost and the transaction of derivatives on the Company's book.

(2) In order to fully grasp and express the risk evaluation of the transaction, the monthly investment assessment is used to evaluate the profit and loss.

(3) Finance department shall provide the monthly evaluation of the M transaction of derivatives to the senior executives as a reference for decision-making.

4. The set-up of the total amount of derivative agreements and upper loss limit

(1) Total amount of derivative agreements

A. Not for transaction purposes:

- a. To avoid risk of foreign exchange transactions: the total amount of derivative agreements shall not exceed the estimated total import and export in the year in which the transaction is due.
 - b. To avoid interest rate risk transactions: the total amount of derivative agreements must not exceed the total liability amount.
 - c. In order to avoid the derivative price risk required for transaction: the total amount of derivative agreements must not exceed the total demand for the next 12 months.
 - d. In order to avoid the risk of exchange rate, interest rate, derivative price and other risks arising from the project: the total amount of derivative agreements shall not exceed the total project budget. If exceeded, the part should be classified as a transaction.
 - B. For the purpose of the transaction: the total amount of derivative agreements for the transaction is adjusted annually. However, the maximum amount of derivative agreements, available for transaction, is not more than US\$10 million, except where the approval is specifically approved by the board of directors.
- (2) Determination of the upper limit of loss
- A. For non-transaction purposes: the maximum loss limit for individual agreements is 15% of the maximum risk of the agreement, the maximum loss for all agreements is 15% of the total amount of the maximum risk. If the individual or all of agreements loss limits have been reached, the general manager or above shall be reported to continue or stop the transaction.
 - B. For transaction purposes: position after the agreements established, a stop loss point should be established to prevent excess losses. The setting of individual agreement's stop loss point shall not exceed 10% of the agreement amount. If the stop loss point is reached, the general manager or managers of above level shall be reported to continue or stop the transaction. The maximum amount of accumulated losses for the whole year is US\$1million.
2. Risk management measure
- (1) Credit risk management: The Company's transactions are placed under the order of internationally-recognized financial institutions with good credit.
 - (2) Market risk management
 - 1. Choose a market where quote information can be fully disclosed.
 - 2. Confirm that the control of the transaction amount is subject to these processing procedures.
 - (3) Liquidity risk management: When selecting transaction derivatives, they are mainly characterized by high liquidity and large transaction volume (that is, they can be square off at any time in the market).
 - (4) Operational risk management
 - 1. Based on the principle of assignment of responsibility and mutual checks and balances.
 - 2. Each assignment should be authorized and supervised by the superior.
 - (5) Legal risk management
 - 1. Documents signed with financial institutions shall be formally signed after being examined by relevant businesses and specialized personnel.
 - 2. Before making any transaction, you must know the rules and regulations of the transaction derivatives and their trading markets.

3. Internal audit system

- (1) Internal auditors should regularly understand the admissibility of internal control of derivative transactions, and check the compliance of the trading department with the transaction procedures for derivative transactions on a monthly basis and analyze the trading cycle to make an audit report. If major violations are discovered, the audit committee shall be notified in writing.
- (2) The internal auditor shall submit the audit report and the annual audit of the internal audit operation according to the regulations of the authority before the end of February of the following year. Status on abnormal matter improvement shall be submitted latest by the end of May of the following year, and report according to the regulations of the authority.

4. Regular assessment method

- (1) The board shall authorize senior executives and evaluate whether the transactions in the derivatives are actually handled in accordance with the transaction procedures set by the Company, the risk tolerance stipulated by our Company. Senior executives also evaluate if the market price assessment reports are abnormal (e.g. When the holding position has exceeded the upper limit of the loss), it shall immediately report to the board of directors and take the appropriate measures.
- (2) The part held by the derivative transaction shall be assessed at least once a week. If the risk-avoidance transaction required for the business, is to be evaluated at least once every two weeks. The assessment shall be submitted to the senior executives authorized by the board of directors.

5. The principle of supervision and management of the board of directors when engaging in derivative transactions

- (1) The board of directors shall appoint senior executives to pay attention to the supervision and control of the risk of derivative transactions at any time. The management principles are as follows:
 1. Periodically review the adequacy of currently adopted risk management measure and strictly observe these guidelines and the procedures stipulated by our Company for derivative transactions.
 2. Supervise transaction and gain/loss status and adopt necessary countermeasure upon finding of abnormality and report to the board of directors. The board of directors shall have independent directors present and express their opinions.
- (2) Periodically review derivative transactions and determine their conformity to existing operation strategy and risk tolerance stipulated by our Company.
- (3) Company engaging in derivative transactions and authorizing is personnel to practice the transaction in accordance with the derivative transaction procedure itself has provided, shall report in the nearest meeting of the board.
- (4) Our Company shall have in place a review journal for derivative transactions and keep loggings of the types, amounts, profits and losses of the derivative transactions, board of directors' approval dates, etc., in accordance with Subparagraphs (2) of Paragraph 4, Subparagraphs

(1) and (2) of Paragraph 5 in this Article. The time schedules to be assessed are detailed in their view journal.

Article 13: Procedure for merger, division, acquisition, or share receiving

1. Assessment and Operational Procedure

(1) Our Company handling merger, division, acquisition, or share receiving shall summon lawyers, accountants, and underwriters for meeting to determine the legal process and time schedule and organize a task force to execute in accordance with the legal process. Our Company shall also have the accountants, attorneys, and underwriters to share their opinions regarding to the reasonableness of share exchange ratio, purchase price, distribution of cash or other property among shareholders, followed by proposing the same to the board of directors for approval. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100% of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100% of the respective subsidiaries' issued shares or authorized capital.

(2) Prior to shareholders' meeting, our Company shall produce public document to the shareholders, stating important information pertaining to any merger, division, or acquisition and expert opinions as stipulated Subparagraph (1) of Paragraph 1 in this Article, as reference for decision on the merger, division, or acquisition proposal, and deliver the document together with shareholders' meeting notice to the shareholders. However, in accordance with other acts, it is exempted from convening a resolution of the shareholders' meeting to merger, division, acquisition. In addition, the shareholders participating in the merger, division or acquisition, due to the number of attendees, insufficient voting rights or other legal restrictions, may not be convened, resolved, or the proposal is rejected by the shareholders' meeting. The company participating in the merger, division or acquisition shall immediately explain to the public about the reason, afterward handling, and the date of the expected shareholders meeting.

2. Other instructions are as follows:

(1) Board meeting date: The Company, when participating in a merger, demerger, or acquisition, shall convene a board meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the authority is notified in advance of extraordinary circumstances and grants consent. The Company, when participating in a transfer of shares, shall call a board meeting on the day of the transaction, unless another act provides otherwise or the authority is notified in advance of extraordinary circumstances and grants consent.

(2) Complete written records: The listed companies or companies traded at securities brokers' business sites, participating in a merger, division, acquisition, or share receiving, shall keep the following information in their archive for at least 5 years for future reference:

1. Personnel basic information: including the names, job titles, Citizen ID (passport number for foreigner) of the person who plan and/or execute the merger, division, acquisition, or share receiving prior to the disclose of the transaction.

2. Important dates: including the execution dates of letter of intent, memorandum, commissioning of financial or legal consultants, execution of agreements, and board meetings.
 3. Important document and meeting record: including plans for merger, division, acquisition, or share receiving, letter of intent, memorandum, important agreements, and records of board meetings' minutes etc.
- (3) Non-disclosure agreement: All people participating or having the knowledge of the merger, division, acquisition, or share receiving plan shall execute a written guarantee not to disclose the plan before the plan is officially disclosed to the public, and may not engage in the trade under his/her own name or other people's names, the shares or equity-equivalent securities of the companies participating in the merger, division, acquisition, or share receiving.
- (4) Principles for share exchange or purchase price determination and change: The companies participating in the merger, division, acquisition, or share receiving shall have their respective accountants, attorneys, and securities underwriters to present their opinions regarding to the reasonability of the share exchange ratio, purchase price, cash or other property distributed among shareholders before the board meeting, and such companies shall disclose these opinions in their shareholders' meetings. Basically, share exchange ratio or purchase price may not be changed without justifiable cause unless otherwise the conditions to the said change has been agreed in the agreement and disclosed to the public. Share exchange ratio and purchase price may be changed if:
1. Increasing capital by cash, issuing convertible bond, free-gratis, warrant bonds, preferred shares with warrants, warrants, and other equitable securities.
 2. Disposal of company's major asset to have impact on the company's financial standing.
 3. Major disaster, critical change of technology, or other incident that has impact on the company's shareholders' interest or securities prices.
 4. Any of the companies, according to the law, participating in the merger, division, acquisition, or share receiving, to buy back its treasury stocks as adjustment.
 5. The main entity or number of companies participating in the merger, division, acquisition, or share receiving has changed.
 6. Other terms and conditions that the contract stipulates may be altered and that have been publicly disclosed.
- (5) The content of the contract: In addition to the provisions of Article 317-1 of the Company Act and Article 22 of the Enterprise Mergers and Acquisitions Act, the companies participating in the merger, division, acquisition, or share receiving, should clearly state the following information:
1. Measure for breaching.
 2. The principles for handling the equitable securities already issued by the eliminating company due to merger or division or treasury stocks already bought back.
 3. The quantity of treasury stocks to be bought back and the principles for handling the said stocks after the participating companies have determined the share exchange ratio and record date.
 4. The handling method for change of the main entity or number of participating companies.

5. Estimated plan execution progress and completion date.
 6. Handling procedure for failure to meet the plan's deadline, and estimated date of shareholders' meeting as required by the laws.
- (6) Change in number of companies participating in the merger, demerger, acquisition, or share transfer: After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out a new the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.
 - (7) Our Company shall make and enter into agreement with non-listed companies participating in the merger, division, acquisition, or share receiving and observe Subparagraph (1) of Paragraph 1 in this Article regarding to the board meeting date, Subparagraph (3) regarding to the non-disclosure agreement, and Subparagraph (6) regarding to the change of the number of companies participating in the merger, division, acquisition, or share receiving
 - (8) Companies that participates in a merger, division, acquisition or transfer of shares or shares that are traded in the securities firm's business premises shall, within two days from the date of the resolution of the board of directors, make Points 1 and 2 of information of Subparagraph (2) of Paragraph 2 in this Article. In accordance with the prescribed format, use the internet information system to report to the Financial Management Association for future reference.
 - (9) Companies that participate in a merger, division, acquisition or transfer of shares that is not listed companies or whose shares are traded in the securities firm's business premises. Companies that are listed or traded in the securities firm's business premises should sign an agreement with them and follow the Subparagraphs (2) and (8) of Paragraph 2 in this article.

Article 14: Public disclosure of information procedure

1. Information to be reported and the report standard

- (1) Acquisition and disposal of real property from or to a related party, or acquisition and disposal of assets other than real property from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more. However, this shall not apply to the trading of government bonds or bonds under repurchase and resale agreements and the purchase or redemption of domestic money market funds.
- (2) Merger, demerger, acquisition, or transfer of shares.
- (3) Losses from derivative trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.
- (4) Where the type of asset acquired and disposed is mechanical equipment for business use, the trading counterparty is not a related party, and the transaction amount reaches one of the following provisions:

1. Paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.
 2. Paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.
- (5) Where land is acquired under an arrangement on engaging others to build on the. Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is more than NT\$500 million.
- (6) Where there is an asset transaction, other than any such transactions referred to in the preceding five subparagraphs, a disposal of receivables to a financial institution, or an investment in mainland China area that reaches 20% or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:
1. Trading of government bonds.
 2. Trading of bonds under repurchase/resale agreements, or repurchase of money market funds issued by domestic securities investment trust enterprises.
- (7) The amount of transactions above shall be calculated as follows: "Within the preceding year" refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these regulations need not be counted toward the transaction amount.
1. Amount per each transaction.
 2. Amount accumulated for acquiring and disposing a real property of the same nature from the same counterparty within one year.
 3. Amount accumulated for acquiring and disposing (separately accumulated for acquisition and disposal) the same real property development within one year.
 4. Amount accumulated for acquiring and disposing (separately accumulated for acquisition and disposal) the same securities.
- (8) "10% of the total assets" in these procedures shall be calculated by referring to the total assets of the stand-alone or individual financial statements for the most recent term prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- If the Company's stock is not par valued or the par value is not NT\$10, the transaction amount of 20% of the paid-up capital in this process is calculated at 10% of the interests attributable to the parent Company.

2. Time limit for public disclosure and reporting

Our Company shall disclose to the public and complete reporting within two days from today of property acquisition and disposal to which transaction amount the disclosure and reporting standards apply as stipulated in Paragraph 1 of this Article.

3. Disclosure and reporting procedure

- (1) Our Company shall disclose and report the related information at the website designated by the Authority.
- (2) Our Company shall compile monthly reports on the status of derivative trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the

prescribed format into the information reporting website designated by the authority by the 10th day of each month.

- (3) When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days from today of knowing of such error or omission.
- (4) Unless otherwise stipulated by laws, the Company shall keep the contracts, meeting records, memorandum, appraisal report, accountant/lawyer/securities broker opinion regarding to the Company's acquisition and disposal of asset in archive at the Company for at least five years.
- (5) Where any of the following circumstances occurs with respect to a transaction the preceding article, a public report of relevant information shall be made on the information reporting website designated by the authority within two days from today of the occurrence of the event:
 1. Change, termination, or rescission of a contract signed in regard to the original transaction.
 2. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
 3. Change to the originally publicly announced and reported information.

Article 15: Our Company's subsidiary shall comply with the followings:

1. A subsidiary shall comply with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" for related regulations, and execute "Procedures for Handling Acquisition and Disposal of Assets".
2. If the subsidiary is not a public company in Taiwan, the information of its acquisitions and disposals of assets which are subject to the declaration standard shall be announced and reported by the parent company on behalf of the subsidiary.
3. The declaration standard to a subsidiary that "reaches 20% of the Company's paid-in capital or 10% of total assets" base on paid-in capital or total assets of parent (our) company.

Article 16: Penalty

Employee handling acquisition and disposal of assets who violates these Procedures shall be subject to penalty provided by our Company's Employee Management Rules depending on the severity. The said violation will be considered in the scheduled review.

Article 17: Implementation and amendments

Our Company's "Procedures for Handling Acquisition and Disposal of Assets" shall be approved by more than half of all audit committee members and then be submitted to the board of directors meeting for resolution; after it is passed by the board of directors, it would be sent to the shareholders' meeting for final approval. When the procedures are amended, the same procedure shall be applied. When the Company submits "Procedures for Handling Acquisition and Disposal of Assets" to the board of directors for discussion, each independent director's opinions shall take into full consideration. If independent directors are already in place, their opinions, for or against, shall be recorded in the board meeting's record. If approval of more than half of all audit committee members is not obtained for the first item, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors' meeting.

The terms "all audit committee members" and "all directors" in this Procedure shall be counted as the actual number of persons currently holding those positions.

Article 18:Miscellaneous

Any issue not comprehensively covered in these Procedures shall be governed by the applicable laws.

Appendix 7

CMC Magnetics Corporation
Comparison Table of Procedures for Governing Loaning of Funds and
Making of Endorsements/Guarantees Before and after Amendment

Article	Before Amendment	After Amendment	Explanation
Article 1	<p>These Procedures are defined <u>in accordance</u> with Article 36-1 of the Taiwan Securities and Exchange Act and “Regulations governing Loaning of Funds and Endorsements/Guarantees” (hereinafter referred to as the “Regulations”) <u>per July 6, 2012 Order No. Financial-Supervisory-Securities-Auditing1010029874 of Securities and Futures Bureau of Financial Supervisory Commission.</u></p>	<p>These Procedures are defined in accordance with Article 36-1 of the Taiwan Securities and Exchange Act and “Regulations governing Loaning of Funds and Endorsements/ Guarantees” (hereinafter referred to as the “Regulations”).</p>	Coping with company practice
Article 6	<p>The Company has determined that this Procedure shall be approved by more than one-half of all members of the audit committee, and the resolution of the board of directors shall be implemented after the approval of the shareholders' meeting. If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinion to the audit committee, and for discussion by the shareholders' meeting. The same shall apply to any amendments to the Procedures. (omitted)</p> <p>If the first item is not approved by more than one-half of all members of the audit committee, it may be agreed by more than two-thirds of all directors, and the resolution of the audit committee shall be stated in the minutes of the board’s meeting.</p>	<p>The Company has determined that this Procedure shall be approved by more than one-half of all members of the audit committee, and the resolution of the board of directors shall be implemented after the approval of the shareholders’ meeting. If any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the dissenting opinion to the audit committee, and for discussion by the shareholders' meeting. The same shall apply to any amendments to the Procedures. (omitted)</p> <p>If the first item is not approved by more than one-half of all members of the audit committee, it may be agreed by more than two-thirds of all directors, and the resolution of the audit committee shall be stated in the minutes of the board’s meeting. <u>All the members of the audit committee referred to in the foregoing procedure and all the alleged directors are calculated by the actual incumbent.</u></p>	Amended in response to the law

Article	Before Amendment	After Amendment	Explanation
Article 7	<p>The Company's loaning funds to others should be handled according to the following Operating Procedures: (omitted)</p> <p>3. The aggregate amount of loans and the maximum amount permitted to a single borrower : (omitted)</p> <p>The maximum amount of the fund loan of the subsidiary and others shall not exceed 40% of the net worth of the subsidiary. However, for foreign companies that directly and indirectly hold 100% of the voting shares of the company, when engaged in capital lending, the maximum limit is not more than 100% of the net value of the subsidiary.</p> <p>4. Duration of financing and calculation of interest:</p> <p>The term of the financing is limited to one year, but the foreign company that directly and indirectly holds 100% of the voting shares of the Company is limited to five years, its calculation of interest shall not be lower than the highest interest rate of the Company's short-term capital borrowing from the financial institution during the same period and shall calculate interest on a monthly basis.</p>	<p>The Company's loaning funds to others should be handled according to the following Operating Procedures: (omitted)</p> <p>3. The aggregate amount of loans and the maximum amount permitted to a single borrower : (omitted)</p> <p>The maximum amount of the fund loan of the subsidiary and others shall not exceed 40% of the net worth of the subsidiary. However, the foreign companies that directly and indirectly hold 100% of the voting shares of the company <u>or the foreign companies that directly and indirectly hold 100% of the voting shares of the company, engage in capital lending to the Company.</u> The maximum limit is not more than 100% of the company's net worth.</p> <p>4. Duration of financing and calculation of interest:</p> <p>The term of the financing is limited to one year, but the foreign company that directly and indirectly holds 100% of the voting shares of the company. <u>Or the Company directly and indirectly holds 100% of the voting shares of the foreign companies engaged in the Company's financial loans,</u> its duration for financing is limited to five years. Calculation of interest : shall not be lower than the highest interest rate of the Company's short-term capital borrowing from the financial institution during the same period and shall calculate interest on a monthly basis. <u>Subsidiaries engaged in the Company's financial loans are handled according to their Operating Procedures.</u></p>	Amended in response to the law

Article	Before Amendment	After Amendment	Explanation
Article 17	<p>The information of the Company's loan balance which reaches one of the following levels shall be announced and reported within two days from today of date of occurrence of the event: (omitted) "The date of occurrence" of the above-mentioned facts refers to the date of the <u>transaction</u> contract signing, date of payment, board resolution date or other dates on which the counterparty and monetary amount of the <u>transaction</u> are determined.</p>	<p>The information of the Company's loan balance which reaches one of the following levels shall be announced and reported within two days from today of date of occurrence of the event: (omitted) "The date of occurrence" of the above-mentioned facts refers to the date of contract signing, date of payment, board resolution date or other dates on which the counterparty for <u>fund loan or endorsements/guarantees</u> and monetary amount are determined.</p>	Amended in response to the law
Article 20	<p>The information of the Company's balance of endorsements/guarantees which reaches one of the following levels shall be announced and reported within two days from today of the date of occurrence of the event: (omitted) 3. The balance of endorsements/guarantees of the Company and its subsidiaries for a single enterprise reaches NT\$10 millions or more. Moreover, the aggregate amount of all endorsements/guarantees for the long-term investment in and balance of loans to such enterprise reaches 30% or more of Company's net worth as stated in its latest financial statement. (omitted) "The date of occurrence" of the above-mentioned event refers to the date of the <u>transaction</u> contract signing, date of payment, board resolution date or other dates on which the counterparty and monetary amount of the <u>transaction</u> is determined.</p>	<p>The information of the Company's balance of endorsements/guarantees which reaches one of the following levels shall be announced and reported within two days from today of the date of occurrence of the event: (omitted) 3. The balance of endorsements/guarantees of the Company and its subsidiaries for a single enterprise reaches NT\$10 millions or more ,and the aggregate amount of its endorsements/guarantees for the <u>equity</u> investment in its book value, and balance of loans to such enterprise reaches 30% or more of the Company's net worth as stated in its latest financial statement. (omitted) "The date of occurrence" of the above-mentioned event refers to the date of contract signing, date of payment, board resolution date or other dates on which the counterparty for <u>fund loan or endorsements/guarantee</u> and monetary amount is determined.</p>	Amended in response to the law

Appendix 8

CMC Magnetics Corporation

Procedures for Loaning of Funds and Making of Endorsements/Guarantees Operation

Chapter I General Principles

Approved during the meeting of shareholders on June 2, 2015

Article 1: These Procedures are defined in accordance with Article 36-1 of the Taiwan Securities and Exchange Act and “Regulations governing Loaning of Funds and Endorsements/Guarantees” (hereinafter referred to as the “Regulations”) per July 6, 2012 Order No. Financial-Supervisory-Securities-Auditing1010029874 of Securities and Futures Bureau of Financial Supervisory Commission.

Article 2: The Company shall comply with these Procedures when making loans to and endorsements/guarantees for others.

Article 3: Under Article 15 of the Company Act, the Company shall not loan fund to any of its shareholders or any other person except under the following circumstances:

1. Where an inter-company or inter-firm business transaction calls for a loan arrangement.
2. Where an inter-company or inter-firm short-term financing facility is necessary.
The term "short-term" means within the period of one year.

Article 4: The term "endorsements/guarantees" as used in these Procedures refers to the following:

1. Financing endorsements/guarantees, including:
 - (1) Bill discount financing.
 - (2) Endorsements/guarantees made to meet the financing needs of another company.
 - (3) Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the Company.
2. Customs duty endorsements/guarantees, meaning endorsements/guarantees for the Company itself or another company with respect to customs duty matters.
3. Other endorsements/guarantees, meaning endorsements/guarantees beyond the scope of the above two subparagraphs.

Any creation by the Company of a pledge or mortgage on its chattel or real property as security for the loans of another company shall also comply with these Procedures.

Article 5: The Company's endorsements/guarantees are limited to the following companies. However, inter-industry or joint creations based on the needs of contracting projects are mutually protected according to the contract. Or because of the joint investment relationship, the endorsement of the Company by the Company and all the capital contribution shareholders according to their shareholding ratio guarantees that they are not subject to this article.

1. A company with a business relationship with our Company.
2. Our Company in which directly and indirectly holds more than 50% of the voting shares of the company.

3. A company that directly and indirectly holds more than 50% of the voting shares in the Company.

The Company in which holds, directly or indirectly, 90% or more of the voting shares of a company, may make endorsements/guarantees for each other, and the amount of endorsements/guarantees may not exceed 10% of the net worth of the Company. Provided that this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.

Capital contribution referred to in the preceding paragraph shall mean capital contribution directly by our Company, or through a company in which our Company holds 100% of the voting shares.

Article 6: The Company has determined that this Procedure shall be approved by more than one-half of all members of the audit committee, and the resolution of the board of directors shall be implemented after the approval of the shareholders' meeting. If any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the dissenting opinion to the audit committee, and for discussion by the shareholders' meeting. The same shall apply to any amendments to the Procedures.

When the company submits this Procedure to the board for discussion in accordance with the provisions of the preceding paragraph, it shall fully consider the opinions of the independent directors and include their clear agreeing or dissenting opinions and reasons for objections in the board's meeting minutes.

If the first item is not approved by more than one-half of all members of the audit committee, it may be agreed by more than two-thirds of all directors, and the resolution of the audit committee shall be stated in the minutes of the board's meeting.

Chapter II Formulation of Operation Procedures

Section I Loans of Funds to Others

Article 7: The Company's Loaning Funds to Others should be handled according to the following Operating Procedures:

1. Entities to which the company may loan funds: It shall be in accordance with the provisions of Article 3 of this Procedure.

2. Evaluation standards for loaning funds to others:

The Company and other companies or firms call for a loan arrangement due to business relationship with loan to others, or when short-term financing facility is necessary, subject to the following circumstances:

- (1) The company has more than 20% of the invested company.
- (2) Other companies or firms.

3. The aggregate amount of loans and the maximum amount permitted to a single borrower:

The Company's funds are in line with the reasons set out in the preceding article, and the maximum amount is limited to 40% of the company's net value. The limits for a single borrower are as follows:

1. A subsidiary that has no business transactions with the Company and is not directly or indirectly holding 50% of the Company's shares shall not exceed NT\$300 million (based on the funds exchange and the remittance of the daily exchange rate as the limit evaluation basis).

2. A subsidiary that has business transactions with the Company but is not directly or indirectly holding 50% of the company's shares. The amount of individual loans is no more than the amount of business transactions between the two parties ("Business transaction amount" refers to the amount of purchase or sale between the parties, whichever is higher).
3. A subsidiary that has business transactions with the Company and is directly or indirectly holding 50% of the Company's subsidiaries. The amount of individual loans is 15% of the Company's net worth or the amount of business transactions (as defined above) between the two parties, whichever is higher, is the limit.
4. A subsidiary that has no business transactions with the Company but is directly or indirectly holding 50% of the Company's subsidiaries. The amount of individual loans is limited to 15% of the Company's net worth.
The maximum amount of the fund loan of the subsidiary and others shall not exceed 40% of the net worth of the subsidiary. However, for foreign companies that directly and indirectly hold 100% of the voting shares of the company, when they are engaged in capital lending, the maximum limit is not more than 100% of the net value of the subsidiary.
4. Duration of financing and calculation of interest:
The term of the financing is limited to one year, but the foreign company that directly and indirectly holds 100% of the voting shares of the Company is limited to 5 years, its calculation of interest shall not be lower than the highest interest rate of the Company's short-term capital borrowing from the financial institution during the same period and shall calculate interest on a monthly basis.
5. Review procedures :
 - (1) In accordance with the provisions of Subparagraph (1) of Paragraph 2 in this Article, the financing of the affiliated company, shall be based on the financing request (or official letter) issued by the affiliated company and the relevant departments shall review the necessity and the reasonable amount of the loan. And assessing the use, purpose and benefits of the loan according to its financial status, solvency, credit and profitability, and providing opinions on whether the signing should be loaned. The financial department shall formulate the interest rate and duration, and shall handle them in accordance with provisions of Subparagraph (3) of Paragraph 5 in this Article.
 - (2) In accordance with the provisions of Subparagraph (2) of Paragraph 2 in this Article, the financing of non-affiliated company shall, in addition to the handling of the preceding paragraph, obtain secured notes worth the same value. If necessary, appropriate movable property or real property mortgage setting should be handled
 - (3) In accordance with the foregoing provisions of Subparagraphs (1) to (2), the Company intends to loan funds to others. After the credit evaluation of the relevant departments, the credit investigation and risk assessment forms are issued and approved by the general manager and the chairman and submitted to the board of directors for approval.
 - (4) The loan between the Company and its subsidiaries, or between its subsidiaries, shall be reported to the board of directors for the resolution. Authorize the chairman to the same loan and party, a certain amount of loan that is decided by the board of directors, and disbursement or circulating within period of no more than one year. A certain amount referred to in the previously shall not exceed the net value of the Company's latest financial statements by 10%, unless it meets the requirements of Paragraph 3 in this Article.

6. Subsequent measures for management of loans, and procedures for handling delinquent creditor's rights:
 - (1) The board of directors decides to pass the loan and funds to others. The relevant departments of the company shall, in the case of appropriations and loans and deposits, login the loan amount into the checklist, and collect the interest on the loan periodically according to the contract of both parties.
 - (2) Make an inventory the collateral regularly to ensure the effectiveness of the creditor's rights and collateral.
 - (3) The borrower shall provide financial statements to the relevant departments of the Company on a regular basis to monitor its operational status and operating results.
 - (4) The approach for handling delinquent creditor's rights: shall be reported to the general manager and the chairman of the board for approval, and submitted to the board of directors for resolution.
 - (5) Procedures for handling delinquent creditor's rights :

In the event that the creditor's rights of others are overdue in accordance with the Operating Procedures. The relevant department of the Company shall be responsible for the assessment in any of the following approaches and shall report to the board of directors for action in accordance with the provisions of the preceding subparagraph of this paragraph.

 - (1) Extension of creditor's rights: Re-evaluation according to the procedures set out in the Paragraph 5 in this Article.
 - (2) Disposal of collateral immediately: The relevant department of the company, together with the legal supervisor, handles the "acquisition and disposal of assets" as set out by the Company.

Article 8: Where a subsidiary of the Company intends to make loans to others, the formulation of the Operational Procedures, audit and operation methods shall be handled in accordance with this Procedure.

Section II Endorsements/Guarantees for Others

Article 9: The Company's Operating Procedures for Endorsements/Guarantees

1. Entities for which the Company may make endorsements/guarantees: it shall be handled in accordance with the provisions of Article 5 of this Procedure.
2. Evaluation standards for endorsements/guarantees due to business dealings:

When the Company needs to apply for endorsements/guarantees due to business needs, in addition to the provisions of Paragraph 4 in Article 9 of this Procedure, the amount of endorsements/guarantees shall not exceed the amount of business transactions between the two parties.
3. The ceilings on the amounts the Company is permitted to make in endorsements/guarantees

The total amount of the Company's external endorsements/guarantees is limited to 30% of the company's current net value, and the amount of its endorsements/guarantees for any single entity is limited to 30% of the company's current net value.

The aggregate amount of the external endorsements/guarantees that is set for the Company's and its subsidiaries shall not exceed 50% of the Company's current net value. The Company's endorsements/guarantees for a single enterprise endorsement shall not exceed 30% of the company's current net value. The current net value is based on the most recent financial statements.
4. Procedures for handling and scrutinizing endorsements/guarantees:

(1) When handling endorsements/guarantees, the applicant should fill in the endorsements/guarantees application form, state the endorsements/guarantees relationship between the parties, amount, nature and period, etc. The Company shall evaluate the necessity and the reasonability of the entity for which the endorsements/guarantees are made, the impact of operational risk, financial status and shareholders' equity, whether the collateral and the assessed value of collateral should be obtained, etc. All the above are analyzed and made into a risk assessment form. The related endorsements/guarantees party is a subsidiary whose net value is less than one-half of the paid-up capital. The subsidiary shall immediately submit an improvement report signed by the general manager to explain the relevant plans and timelines for the subsequent improvement of the net value, so as to provide high-level supervisors to review their qualifications on a case-by-case basis, whether the amount meets the requirements of this Operating Procedure, and whether it has reached the declared reporting standard, and if necessary, collateral should be obtained.

If the subsidiary's stock has no par value or the par value is not NT\$10. The amount of paid-up capital calculated in the preceding paragraph shall be the sum of the capital reserve plus the issue premium.

The endorsements/guarantees application form and the risk assessment form shall be submitted to the chairman for approval and submitted to the board of directors for discussion and consent. If still within the prescribed authorization amount, the chairman shall verify the credit level and financial status of the party engaged in endorsements/guarantees. Afterwards, it shall be reported to the most recent board of directors.

(2) The department of finance shall establish an archive for the endorsements/guarantees application form and the risk assessment form. After the endorsements/guarantees is approved by the board of directors or the chairman, in addition to applying for seal in accordance with the prescribed Procedures, The commitment guarantee, the name of the company to be guaranteed, the risk assessment result, the amount engaged in endorsements/guarantees, the date, the content of the collateral and the conditions or the date for terminating the endorsements/guarantees responsibility, and the date of the approval by the board of directors or the chairman's decision date. All shall record in details for the time being, and the relevant notes shall also be photocopied for safe keeping.

(3) The finance department shall prepare a schedule of the guarantees that occur and cancel on a monthly basis. Control the tracking, and engaged in announcement and report, and provide a statement to the account department for the quarterly assessment and recognition of the contingent loss of endorsements/guarantees. In the financial report, reveal endorsements/guarantees information and provide relevant information for CPA.

(4) Before the end of the endorsements/guarantees date, the finance department shall take the initiative to notify the guaranteed enterprise to take back the guarantee notes of the retained bank or creditor institution, and cancel the relevant deed of endorsements/guarantees.

5. Procedures for managing endorsements/guarantees by subsidiaries:

The formulation and operation content for external endorsements/guarantees of the subsidiary company shall be handled in accordance with the provisions of this Procedure. The subsidiaries that directly or indirectly hold more than 90% of the voting shares of the Company, their Procedures for managing endorsements/guarantees should be handled in accordance with Paragraph 2 in Article 5, after the

resolution of the board of directors of the Company. However, except for the following, the Company directly and indirectly holds 100% of the inter-company endorsements/guarantees of voting shares.

The subsidiary shall report the amount, party and duration of the endorsements/guarantees to the company before the 5th of each month. However, if it meets the standards set out in Article 20 of this Procedure, The Company shall immediately notify the company to make an announcement.

6. Procedures for custody of the corporate chop

- (1) The company had used the corporate chop registered with the Ministry of Economic Affairs as the dedicated chop for endorsements/guarantees. The chop custodian is selected according to the chop usage and management method. When the chop custodian changes, it shall report to the board of directors for approval and the chop kept is included in the transfer.
- (2) After the resolution of endorsements/guarantees is approved by the board of directors or by the chairman of the board. The finance department shall fill out the "application/borrowing company chop application form", together with the approval record and endorsements/guarantees contract or guarantee notes, etc. The mentioned printed documents have been approved by the financial supervisor, and the company chop will be used to seal by the custodian.
- (3) When the custodian uses the chop, he/she should check whether the board of directors or the chairman's approval record and the "use/borrow corporate chop application form" are approved by the financial supervisor and the application for the printed documents is consistent. After sealed, it should be indicated on the "please use/borrow chop application form".
- (4) When making a guarantee for a foreign company, a public company shall have the guarantee agreement signed by the chairman or general manager authorized by the board of directors.

7. Hierarchy of decision-making authority and delegation thereof:

- (1) When the Company makes any endorsements/guarantees, it shall be signed in accordance with the relevant procedures set out in Article 9 of this Procedure and shall be approved by the resolution of the board of directors. However, in order to meet the statute of limitations, the board of directors must authorize the chairman to decide in accordance with relevant regulations, and report it to the board of directors for ratification.
- (2) If the endorsements/guarantees are necessary for business needs and exceeds the endorsements/guarantees limit specified in Paragraph 3 in Article 9 of this Procedure, it must be approved by the board of directors and signed by more than half of the directors. Amend this Operation Procedure and report it to the shareholders' meeting for ratification. When the shareholders' meeting disagrees, the plan shall be made to eliminate the overrun limit within a certain period of time.

Article 10: Where a subsidiary of the Company intends to make endorsements/guarantees for others, the Company shall instruct it to formulate its own Operational Procedures for endorsements/guarantees in compliance with these regulations, and it shall comply with the Procedures when making endorsements/guarantees.

Chapter III Implementation Evaluation

Section I Loans of Funds to Others

Article 11: The Company shall prepare a memorandum book for its fund-lending activities and truthfully record the following information: borrower, amount, date of

approval by the board of directors, lending/borrowing date, and matters to be carefully evaluated under Paragraph 5 of Article 7.

The Company's internal auditors shall audit the Operational Procedures for Loaning Funds to Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify all the supervisors in writing of any material violation found.

Article 12: If, as a result of a change in circumstances, an entity for which endorsements/guarantees are made does not meet the requirements of these Procedures or the loan balance exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to the audit committee and report to the board of directors, and shall complete the rectification according to the timeframe set out in the plan.

Section II Endorsements/Guarantees for Others

Article 13: The Company shall prepare a memorandum book for its endorsements/guarantees activities and record in detail for the record. The matters to be carefully evaluated under Subparagraph 2 of Paragraph 4 in Article 9.

The Company's internal auditors shall audit the Operational Procedures for Loaning Funds to Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify all the supervisors in writing of any material violation found.

Article 14: The party to whom the Company provides endorsements/guarantees no longer satisfies the criteria set forth in Article 5 herein, or the amount of endorsements/guarantees exceeded the limits due to changes of basis on which the amounts of limits are calculated. The endorsements/guarantees amount or overdue portion of the object shall be eliminated at the expiration of the time limit set by the contract. The non-contracted party shall be eliminated by the financial department after approval by the chairman of the board of directors within a certain period of time. The related plans shall be submitted to the audit committee and report to the board of directors, and shall complete the rectification according to the timeframe set out in the plan.

Article 15: If the employee of the company undertakes Loaning Funds to Others and Endorsements/Guarantees Procedure. If there is any violation of the provisions of this Operating Procedure, the employee shall be report and assess according to the personnel management method and employee handbook of the Company, and shall be punished according to the circumstances.

Chapter IV Information Disclosure

Section I Loans of Funds to Others

Article 16: The Company shall, in accordance with the relevant regulations of the authority, announce and report the previous month's loan balances of its parent company and subsidiaries by the 10th day of each month.

Article 17: The information of the Company's loan balance which reaches one of the following levels shall be announced and reported within two days from today of date of occurrence of the event:

1. The aggregate balance of loans to others by the Company and its subsidiaries reaches 20% or more of the Company's net worth as stated in its latest financial statement.

2. The balance of loans by the Company and its subsidiaries to a single enterprise reaches 10% or more of Company's net worth as stated in its latest financial statement.
3. The amount of new loans of funds by the Company or its subsidiaries reaches NT\$10 million or more, and reaches 2% or more of Company's net worth as stated in its latest financial statement.

“The date of occurrence” of the above-mentioned event refers to the date of the transaction contract signing, date of payment, board resolution date or other dates on which the counterparty and monetary amount of the transaction are determined.

The Company shall announce and report on behalf of any subsidiary thereof that is not a domestic public company, any matters that such subsidiary is required to announce and report pursuant to subparagraph 3 of the preceding paragraph.

Article 18: The Company shall evaluate the status of its loans of funds and reserve sufficient allowance for bad debts, and shall adequately disclose relevant information in its financial reports and provide the CPA with relevant information for implementation of necessary Auditing Procedures.

Section II Endorsements/Guarantees for Others

Article 19: The Company shall announce and report the previous month's balance of endorsements/guarantees of itself and its subsidiaries by the 10th day of each month.

Article 20: The information of the Company's balance of endorsements/guarantees which reaches one of the following levels shall be announced and reported within two days from today of the date of occurrence of the event:

1. The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50% or more of the Company's net worth as stated in its latest financial statement.
2. The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches 20% or more of the Company's net worth as stated in its latest financial statement.
3. The balance of endorsements/guarantees of the Company and its subsidiaries for a single enterprise reaches NT\$10 millions or more. Moreover, the aggregate amount of all endorsements/guarantees for the long-term investment in and balance of loans to such enterprise reaches 30% or more of Company's net worth as stated in its latest financial statement.
4. The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5% or more of the Company's net worth as stated in its latest financial statement.

“The date of occurrence” of the above-mentioned facts refers to the date of the transaction contract signing, date of payment, board resolution date or other dates on which the counterparty and monetary amount of the transaction are determined.

The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of Taiwan, any matters that such subsidiary is required to announce and report pursuant to subparagraph 4 of the preceding paragraph.

Article 21: The Company shall evaluate or record the contingent loss for endorsements/guarantees, and shall adequately disclose information on endorsements/guarantees in its financial reports and provide the CPA with relevant information for implementation of necessary audit Procedures.

Appendix 9

CMC Magnetics Corporation

Articles of Incorporation

Chapter 1 General Provisions

Article 1: The Company is incorporated in accordance with the Company Act and registered under the business name of CMC Magnetics Corporation.

Article 2: The Company's scope of services are set out as follow:

- (1) C805030 Plastic Made Grocery Manufacturing
- (2) C805050 Industrial Plastic Products Manufacturing
- (3) CC01120 Data Storage Media Manufacturing and Duplicating
- (4) CC01030 Electric Appliance and Audiovisual Electric Products Manufacturing
- (5) F118010 Wholesale of Computer Software
- (6) F113050 Wholesale of Computing, Office Machinery and Equipment
- (7) F213030 Retail Sale of Computing and Office Machinery Equipment
- (8) F216010 Retail Sale of Photographic Equipment
- (9) F218010 Retail Sale of Computer Software
- (10) F601010 Intellectual Property
- (11) I301010 Software Design Services
- (12) JE01010 Rental and Leasing Business
- (13) J303010 Magazine (journal) publishing
- (14) J304010 Book Publishing
- (15) J401011 Motion Picture Production
- (16) J402011 Film Production
- (17) J602010 Agents and Managers for Performing Arts, Entertainers, and Models
- (18) F102030 Wholesale of Tobacco Products and Alcoholic Beverages
- (19) F203020 Retail Sale of Tobacco and Alcoholic Beverages
- (20) F401010 International Trade
- (21) H701010 Residence and Buildings Lease Construction and Development
- (22) H701020 Industrial Factory Buildings Lease Construction and Development
- (23) H701040 Specialized Field Construction and Development
- (24) H701060 New County and Community Construction and Investment
- (25) H703100 Real Property Rental and Leasing
- (26) F113020 Wholesale of Household Appliance
- (27) F213010 Retail Sale of Household Appliances
- (28) F113070 Wholesale of Telecom Instruments
- (29) F213060 Retail Sale of Telecom Instruments
- (30) F401171 Alcohol Drink Import
- (31) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

Article 3: The Company has its head office in Taipei City, and the Company may establish branches in and out of this country.

Article 3-1: The total amount of the Company's re-investment shall not be subject to the restriction of not exceeding 40% of its paid-in capital, and the decision to transfer the investment is authorized by the board of directors.

Article 3-2: For the requirement of business operation and the Company shall act as a guarantor, and its operations are handled in accordance with the company's endorsements/guarantees method.

Article 4: Public announcements of the Corporation shall be made in accordance with the relevant provisions of the securities regulatory authority.

Chapter 2 Shares

Article 5: The total capital amount of the Company is rated at NT\$45 billion, divided into 4.5 billion shares, at a par value of ten New Taiwan Dollars (NT\$10) per share. The board of directors is authorized to issue the shares separately according to actual needs.

Article 6 : The share certificate of the Company shall all be name-bearing share certificates and shall be affixed with the chops or by signatures of at least three directors of the Company, and issued after being duly authenticated pursuant to the law. The Company may issue shares without printing share certificate(s), but shall have the shares registered with depository & clearing institutions.

Article 6-1: Taiwan Depository & Clearing Corporation shall request to merge and renew large-denominated securities, but it shall be in the custody of depository & clearing institutions.

Article 7: The entries in the shareholders' roster shall not be altered within 60 days prior to the convening date of a regular shareholders' meeting, or within 30 days prior to the convening date of a special shareholders' meeting, or within 5 days prior to the target date fixed by the issuing company for distribution of dividends, bonus or other benefits.

Article 8: In addition to the provisions of the laws and regulations, the shareholders of the Company handle the issue of stock transfer and shareholding matters, and are subject to the "Regulations Governing the Administration of Shareholder Services of Public Companies" promulgated by the Securities and Futures Management Committee of the Ministry of Finance.

Chapter 3 Shareholders' Meeting

Article 9: There are two types of shareholders' meeting, namely, regular meeting and special meeting. The regular meeting shall be convened within six months after the close of each fiscal year. Whereas, special meetings are held in accordance with the law, when necessary.

Article 10: In case a shareholder is unable to attend a shareholders' meeting in person, such shareholder may issue proxy in the form printed by the Company, setting forth the scope of authorization for the representative to be present on his/her/its behalf in accordance with Article 177 of the Company Act.

Article 11: A shareholder of the Company shall have one vote for each share held by him/her/it. However, those who are restricted or have no voting rights according to the regulations are not allowed to do so.

Article 12: Each shareholders' meeting shall be recorded in the minutes of the meeting, stating the year, month, day, place of the meeting, the name of the chairman and the method of resolution, the essentials of the proceedings and the results, the number of shareholders attend and representative shareholders. The minutes are signed or sealed by the chairman and distributed to the shareholders within 20 days after the meeting. After the company publicly issues shares, the minutes can be made to the public. The previous proceedings should be kept in the company for future reference.

Article 13: A resolution is passed at the shareholders' meeting by a majority of the shareholders present who represent more than half of the total number of its outstanding shares, unless otherwise provided by relevant laws and regulations.

Chapter 4 Directors and The Audit Committee

Article 14: The Company shall appoint nine to eleven directors for a three-year term. The shareholders shall elect the directors from among the nominees for director and may be re-elected after the term. The total number of registered shares held by all the directors of the Company shall not be less than a certain percentage of the total issued shares according to the provision of the securities authority.

Article 14-1: Among the above directors of the Company, the election of the directors is done using the candidates nomination system. The number of appointed directors shall have no less than three independent directors, selected by the shareholders' meeting on the list of candidates for independent directors, and shall not be less than one fifth of the total number of directors of the Company. The professional qualification, shareholding, part-time job restrictions, nominations, means of election as well as other relevant issues to be complied with by independent directors, should all be in accordance with the regulations of the securities authority.

Article 15: The board of directors is composed of all directors. More than two-thirds of the directors present and more than half of the directors agree to elect three executive directors among them. In the same way, the executive directors mutually-elect one person as the chairman. If the Company does not have executive directors, more than two-thirds of the directors should be present, and more than half of the directors should agree to choose one of them as the chairman. The chairman of the board represents the Company externally and is the chairman of the shareholders' meeting, the board of directors and the board of executive directors. When the chairman asks for leave or fails to exercise the authority for any reason, he/she shall appoint one of the executive directors as the proxy. If the chairman does not appoint a proxy, the executive directors or directors shall elect one person among them and act as a proxy.

Article 16: The board of executive directors is convened by the chairman, and its duties are in accordance with Article 208 of the Company Act.

Article 17: The board of directors is convened by the chairman. In addition to the provisions of the Company Act, his/her duties are as follows:

- (1) The formulation of the business plan.
- (2) The formulation of the surplus distribution or loss off-setting proposals.
- (3) Formulation of capital increase and decrease.
- (4) The compilation of important articles of corporation and contracts.
- (5) Appointment and dismissal of the general manager.

- (6) The establishment and abolition of the branch.
- (7) Compiled of budget and final accounts.
- (8) Other authority conferred by the company Act or the resolution of the shareholders' meeting.

Article 17-1: The company may call the board of directors at any time in case of emergency.

The convening of the board of directors of the company can be notified to the directors in writing, by e-mail or by fax.

Article 18: The resolution of the board of executive directors' meeting was reached by more than half of the executive directors who attended and approved the matters at the meeting. The board of directors shall have more than half of the directors attending and the majority of the attending directors' consent for resolution of matters. The directors can specify the scope of authorization in writing and entrust other directors to attend the board of directors on their behalf, but each time a power of attorney is issued and limited by one person.

Article 19: The chairman is on leave or unable to exercise his/her duties for whatever reasons, his/her proxy shall act in accordance with Article 208 of the Company Act.

Article 20: The remuneration of the chairman and directors is authorized by the board of directors in accordance with the level of operational participation as well as value of the contribution. The standard terms in the industry shall also be considered.

Article 21: In accordance with Article 14-4 of the Securities and Exchange Act, the Company sets up the audit committee, it is composed of all independent directors.

Article 22: The authority and related matters of the audit committee and its members, shall be handled in accordance with the relevant laws and regulations of the Securities Exchange. Act.

Article 23: The Company may purchase liability insurance to cover the directors for the liabilities they shall be responsible while performing their duties.

Chapter 5 Managers

Article 24: The Company shall have a number of managers whose appointment, dismissal and remuneration shall be handled in accordance with Article 29 of the Company Act

Chapter 6 Accounting

Article 25: The fiscal year of the Company is from January 1 of each year to December 31 of the same year, the final accounts should be settled at the end of the year.

Article 26: After the close of each fiscal year, the board of directors shall prepare the following documents and submit the same to the supervisors for auditing and then submit to the general shareholders' meeting for acceptance: (1) the business report, (2) the financial statement, and (3) the surplus earning distribution or loss off-setting proposals.

Article 27: When the Company allocates the profit of the current year, if any, no less than 1% of the profit shall be set aside as employees' compensation. When there are accumulated losses, the profits shall be used to offset accumulated losses first. The parties of employee compensation in the preceding paragraph includes employees of domestic and foreign subsidiaries. The term "subsidiaries" as mentioned refers to the ordinary or indirect holding of more than half of the ordinary shares of the Company in accordance with the Financial Accounting Standards Bulletin No. 7.

Article 28: The current year's earnings, if any, shall first be used to pay all taxes and offset prior years' accumulated losses and then set aside 10% as legal reserve. When such legal reserve amounts to the total paid-in capital, the Company shall not be subject to this limitation. The Company may then appropriate or reverse a certain amount as special reserve according to the relevant regulations. If there is remaining earnings, plus the accumulated undistributed earnings, may be appropriated to shareholders as dividends or bonuses according to the distribution plan proposed by the board of directors and approved by the shareholders' meeting. The Company's dividend policy is to consider the need for capital expenditure, in conjunction with the company's long-term financial planning, to determine the amount and type of surplus distribution. The dividends paid by shareholders are not less than 10% of the total dividends paid each year.

Chapter 7 Supplementary Provisions

Article 29: Any unspecified matters in this Articles of Incorporation shall be dealt in accordance with the Company Act.

Article 30: This Article of Incorporation were enacted on November 4, 1978 and amended on June18, 1981 for the first time, on November 25, 1982 for the second time, on April15, 1984 for the third time, on January 29, 1985 for the fourth time, on April 4, 1985 for the fifth time, on August 28, 1985 for the sixth time, on November21,1985 for the seventh time, on December 26, 1985 for the eighth time, on June26, 1986 for the ninth time, on April12, 1987for the tenth time, on June 20,1987for the eleventh time, on October 6, 1987 for the twelfth time, on June 14, 1988 for the thirteenth time, on October 27, 1988 for the fourteenth time, and on April 15, 1989 for the fifteenth time , on April 7,1990 for the sixteenth time, on September 1,1990 for the seventeenth time, on May 11,1991 for the eighteenth time, on April 11,1992 for the nineteenth time, on September 19,1992 for the twentieth time, on April22,1993 for the twenty-first time, on September18,1993 for the twenty-second time, on April23,1994 for the twenty-third time, on April 29,1995 for the twenty-fourth time, on April 27,1996 for the twenty-fifth time, on May30, 1997 for the twenty-sixth time, on April18, 1998 for the twenty-seventh time, on April30, 1999 for the twenty-eighth time, on April29, 2000 for the twenty-ninth time, on May4, 2001 for the thirtieth time, on May4, 2001 for the thirty-first time, on May17, 2002 for the thirty-second time, on June15, 2003 for the thirty-third time, on June14, 2005 for the thirty-fourth time, on June15, 2006 for the thirty-fifth time, on June13, 2007 for the thirty-sixth time, on June16, 2009 for the thirty-seventh time, on June17, 2010 for the thirty-eighth time, on June22, 2011 for the thirty-ninth time, on June15, 2012 for the fortieth time, on June12, 2014 for the forty-first time, on June2, 2015 for the forty-second time, on June7, 2016 for the forty-third time.

CMC Magnetics Corporation



Chairman : Wong, Ming Sen



Appendix 10

CMC Magnetics Corporation Rules of Procedure for Shareholders' Meetings

Amended and Approved during the shareholders' meeting on June 13, 2013

1. The shareholders' meeting shall be held in accordance with this Company's Rules of Procedure, unless otherwise provided by other regulations.
2. The Company shall specify in its notice of shareholders' meeting the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention. The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel will be assigned to handle the registrations.

Shareholders and their proxies (collectively, "shareholders") shall attend the 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.

This Corporation shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in. This Corporation shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors or supervisors, pre-printed ballots shall also be furnished.

When the government or a juridical person is a shareholder, it may be represented by more than one representative at a shareholders meeting. When a juridical person is appointed to attend as proxy, only one person may be designated to represent in the meeting.

3. Attendance and Voting at a shareholders meeting shall be calculated based the number of shares.
4. The venue for the shareholders' meeting shall be within the county or city where this Corporation is located, or a place easily accessible to shareholders and suitable for a shareholders' meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m.
5. The chairman of the shareholders' meeting shall be handled in accordance with Article 182-1 of the Company Act.

When a director or managing director serves as Chair, as referred to in the preceding paragraph, the director must have held that position for six months or more and understands the financial and business conditions of the company. The same holds true for a representative of a juridical person, director that serves as Chair.

6. This Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders' meeting in a non-voting capacity. Staff handling administrative affairs of a shareholders meeting shall wear identification badges or armbands.
7. This Company shall make a continuous and uninterrupted audio and video recording of all procedures, like the attendance and registration of shareholders, meeting process, and the voting & counting votes.

The recorded materials of the preceding paragraph shall be kept for at least one year. If, however, a shareholder files a lawsuit in accordance with Article 189 of the Company Act, the recording shall be kept until the termination of the lawsuit.

8. The Chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent the majority of the total number of issued shares, the Chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, a tentative resolution may be adopted pursuant to Paragraph 1 in Article 175 of the Company Act.

When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the Chair may resubmit the tentative resolution for a vote during the shareholders' meeting pursuant to Article 174 of the Company Act.

9. If a shareholders' meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting.

The provisions of the preceding paragraph apply mutatis mutandis to a shareholders' meeting convened by a party with the power to convene that is not the board of directors. The Chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders' meeting.

After the meeting, the shareholders may not elect the chairman to continue the meeting at the original site or another place.

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

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the Chair, the Chair shall stop any violation.

11. When discussing the motion, it should be discussed in the order in which the agenda is scheduled.

If there is any violation of the Procedure, the Chair shall immediately terminate the speech. In addition to the proposals listed in the agenda, shareholders may propose other proposals, amendments or alternatives to the original proposal, which should be seconded by other shareholders, otherwise the proposal will not be established.

12. Except with the consent of the Chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the Chair may terminate the speech.

13. When a juridical person is appointed to attend as proxy, only one person may be designated to represent in the meeting.

When a corporate shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives so appointed may speak on the same proposal.

14. After an attending shareholder has spoken, the Chair may respond in person or direct relevant personnel to respond.
15. When the Chair 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.
16. The passage of a proposal shall require an affirmative vote of a majority of attending shareholders with voting rights. If upon inquiry by the meeting Chair no member voices an objection, the matter will be deemed approved, with the same effect as approval by vote.

A shareholder shall be entitled to one vote for each share held, that shareholder appoints a proxy to attend the shareholders' meeting, and the calculation of their voting rights is handled by the authority to issue the "Rules Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies".

17. Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the Chair, provided that all monitoring personnel shall be shareholders of this Corporation. The result of the voting shall be reported and photographed and recorded.
18. When a meeting is in progress, the Chair may announce a break based on time considerations.
19. Except as otherwise provided in the Company Act and in this 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.
20. When there is an amendment or an alternative to a proposal, the Chair shall decide the order with the original case in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.
21. The Chair may direct the proctors (or security personnel) to help maintain order at the meeting place. When proctors (or security personnel) help maintain order at the meeting place, they shall wear an armband bearing the word "proctor."
22. These Rules, and any amendments hereto, shall be implemented after adoption by shareholders' meetings.

Appendix 11

CMC Magnetics Corporation Stockholding of Directors

Explanation: (1) Shareholding percentage of directors & supervisors of a public listed company, and the implementation rules and regulation of the inspection shall be handled in accordance with the provisions of Article 26 of the Securities Exchange Act.

(2) The paid-in capital of the Company is NT\$17,260,163,670 and the amount of issued shares is 1,726,016,367 shares. All directors shall hold a minimum of 51,780,491 shares.

(3) The Company has elected more than two independent directors at the same time. All directors and supervisors other than the independent directors have reduced the number of shares to be held according to the preceding paragraph to 80%. The public listed company shall set up the audit committee according to law. It is not applicable to the requirement that the number of shares held by the supervisor should not be less than a certain ratio. Therefore, all the directors of the company should hold 41,424,392 shares.

(4) The number of individuals and all directors held in the register of shareholders as of the book closure date of the shareholders' meeting (2019/04/07) is as follows:

Title	Name	Number of shares held	Shareholding ratio (%)
Chairman	Wong, Ming-Sen	133,697,296	7.75%
Director	Yang, Ya-Hsiu	13,572,373	0.79%
Director	Kuo, Chun-Hui	82,618	0.00%
Director	Tsai Weng, Ya-Li	2,077,648	0.12%
Director	Zeng, Yi-An	1,686,286	0.10%
Director	Tsai, Tsung-Han	2,280,542	0.13%
Director	Yeh, Min-Cheng	2,660,777	0.15%
Director	Chen, Hsien-Tai	5,775,282	0.33%
Independent Director	Xiao, Feng-Xiong	0	0.00%
Independent Director	Wu, Cheng-Hsiu	0	0.00%
Independent Director	Lee, Ming-Yen	0	0.00%
total		161,832,822	9.37%

Appendix 12

Information Related to the Compensation of Employees and Directors

The company's board of directors on 2019/03/15 decided not to distribute employees' compensation and directors' compensation.