

Stock Code: 2323



中環股份有限公司

2021 Annual Shareholders' Meeting

Meeting Handbook

June 18, 2021

Table of Contents

	<u>Page</u>
Chapter 1 Meeting Procedures	1
Chapter 2 Meeting Agendas	2
Chapter 3 Reports	3
Chapter 4 Ratifications	4
Chapter 5 Discussion and Election Items	6
Chapter 6 Temporary Motions	10
Chapter 7 Appendices	
I. 2020 Business Report.....	11
II. Review Report of the Audit Committee.....	15
III. Certified Public Accountant's Audit Report and 2020 Individual Financial Report.....	16
IV. Certified Public Accountant's Audit Report and 2020 Consolidated Financial Report.....	27
V. Comparison Table on Provisions of the "Procedures for Acquisition and Disposal of Assets" before and after the Amendment.....	40
VI. Comparison between Original and Amendments to Rules for Election of Directors.....	42
VII. Resumes of Candidates for Directors and Independent Directors.	45
VIII. Procedures for Acquisition and Disposal of Assets (before amendment)	47
IX. Rules for Election of Directors (before amendment)	69
X. Articles of Incorporation.....	71
XI. Rules and Procedures of the Shareholders' Meeting	76
XII. Shares Held by Directors of the Company	79

CMC Magnetics Corporation
Procedures of 2021 Annual General Meeting

- I. Call the Meeting to Order
- II. Chairman's Remarks
- III. Reports
- IV. Ratifications
- V. Discussion and Election Items
- VI. Motions
- VII. Adjournment

CMC Magnetics Corporation

Agendas of 2021 Annual Shareholders' Meeting

Time: 9:00AM, June 18, 2021 (Friday)

Place: 5th Floor, No. 24, Section 1, Hangzhou South Road, Taipei City (GIS MOTC Convention Center)

Meeting Procedures:

I. Call the Meeting to Order

II. Chairman's Remarks

III. Reports

Case 1: 2020 Business Operations.

Case 2: Audit Committee's Review Report on Final Accounts Statement for 2020.

Case 3: Report of the Company on Distribution of Employee Remuneration and Director Remuneration for 2020.

IV. Ratifications

Case 1: Approval of 2020 Business Report and Financial Statements. (Proposed by Board of Directors)

Case 2: Approval of 2020 Profit Distribution Plan. (Proposed by Board of Directors)

V. Discussion and Election Items

Case 1: Cash Distribution Plan of the Company for Capital Surplus.(Proposed by Board of Directors)

Case 2: Amendment to the Procedures for Acquisition and Disposal of Assets of the Company.(Proposed by Board of Directors)

Case 3: Amendment to the Rules for Election of Directors of the Company.(Proposed by Board of Directors)

Case 4: Election of Directors. (Proposed by Board of Directors)

Case 5: Proposal to release the newly elected directors of the Fifteenth Board of Directors of the Company and their Representatives from non-competition restrictions. (Proposed by Board of Directors)

VI. Motions

VII. Adjournment

Reports

Case 1: 2020 Business Operations. Please kindly review it.

Explanation: Please refer to pages 11-14 of this handbook for the 2020 Business Report.

Case 2: Audit Committee's Review Report on Final Accounts Statement for 2020. Please kindly review it.

Explanation: Please check page 15 of this handbook for the Audit Committee's Review Report.

Case 3: Report of the Company on Distribution of Employee Remuneration and Director Remuneration for 2020. Please kindly review it.

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

(II) The Company has decided to allocate out of the earnings NT\$3,000,000 as compensation to employees and NT\$2,200,000 as compensation to directors in 2020.

(III) Both the aforementioned employees' compensation and directors' compensation were distributed in cash, and there is no discrepancy with the presented expense amount in 2020.

Ratifications

Case 1: Approval of 2020 Business Report and Financial Statements. It is hereby submitted for ratification. (Proposed by Board of Directors)

- Explanations:
- (I) The Company's individual and consolidated financial statements for 2020 have been duly audited by Yu, Shu-Fen and Chang, Shu-chiung, the CPAs from PwC Taiwan, who have approved the report without reservation, and issued an unqualified opinion plus the others paragraph. The aforesaid financial statements together with the operating report have been adopted by the Board of Directors.
 - (II) Various statements and vouchers have been reviewed and determined as correct and accurate by the Audit Committee.
 - (III) We hereby submit the above statements. It is hereby submitted for ratification.
 - (IV) Note 1: Business Report (Please refer to pages 11-14 of this handbook.)
2. Financial statements. (Please refer to pages 16-39 of this handbook.)

Resolution:

Case 2: 2020 Profit Distribution Plan. It is hereby submitted for ratification. (Proposed by Board of Directors)

- Explanations:
- (I) In 2020, the Company earned a net profit of NT\$111,073,155, added the retained earnings adjustments, and accrued the mandatory surplus reserve and special surplus reserve. Then, there are no earnings available for distribution.
 - (II) The 2020 profit distribution plan of the Company is attached as follows:

CMC Magnetics Corporation
Profit distribution plan



Unit: NT\$

Item	AMOUNT
Net after-tax profit in 2020	\$ 111,073,155
Add (Less):	
Earnings in previous year	18,581,157
Adjustment of retained earnings in 2020	(99,859)
Subtotal	129,554,453
Subtract:	
Accrual 10% of legal surplus reserve	(11,097,330)
Accrual of special surplus reserves	(118,457,123)
Distributable earnings as at end of 2020	0
End of Period Appropriation	0

Chairman:



Manager:



Accounting Controller:



Resolution:

Discussion and Election Items

Case 1: Cash Distribution Plan of the Company for Capital Surplus. It is hereby submitted for discussion. (Proposed by Board of Directors)

Explanation: (I) Pursuant to Article 241 of the Company Act, the Company plans to appropriate NT\$811,216,840 from the capital reserve acquired from the amount derived from the issuance of new shares at a premium, based on the shareholding ratio of shareholders listed on Shareholders' Rosters on the base day. This dividend distribution is NT\$0.7 per share.

(II) The cash dividend is rounded off to the nearest NT Dollar based on the distribution ratio with the decimal places removed. The total rounded-off amounts are accounted as other income in the Company's financial statements.

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

Resolution:

Case 2: Amendment to the Procedures for Acquisition and Disposal of Assets of the Company. It is submitted for resolution.

(Proposed by Board of Directors)

Explanations:(I) In accordance with Articles 19 and 20 of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies", the handling procedure for the engagement in derivative trading has been amended.

(II) Plan to amend Article 12 of the Procedures for Acquisition and Disposal of Assets of the Company.

(III) The Comparison Table on Provisions of the "Procedures for Acquisition and Disposal of Assets" before and after the Amendment is attached. (Please refer to pages 40-41 of this handbook)

Resolution:

Case 3: Amendment to the Rules for Election of Directors of the Company. It is submitted for resolution. (Proposed by Board of Directors)

Explanations:(I) In accordance with Taiwan-Stock-Governance-1090009468 of the Taiwan Stock Exchange Corporation, dated June 3, 2020, the candidate nomination system shall be implemented for the directors, and some articles have been revised based on the practical work requirements.

(II) The Comparison between Original and Amendments to Rules for Election of Directors is attached. (Please refer to pages 42-44 of this handbook.)

Resolution:

Case 4: Election of Directors. It is hereby submitted for election. (Proposed by Board of Directors)

Explanation: (I) The term of service of the Company's 14th directors will expire on June 11, 2021. The re-election of all the directors shall be conducted according to the laws at the Annual Shareholder's Meeting.

(II) Pursuant to the provisions of the Articles of Incorporation, the Company will set nine to eleven directors (including three Independent Directors) and reelect nine directors (including three Independent Directors) of the Fifteenth Board of Directors. All the directors shall have a term of three years and a director, if reelected, shall take a consecutive term. In addition, the Company has established an Audit Committee composed of all Independent Directors pursuant to Article 21 of the Articles of Incorporation.

(III) Pursuant to Article 14-1 of the Articles of Incorporation, the Company shall implement the candidate nomination system for all the director candidates, whose qualifications have been reviewed and adopted by the Fourteenth Board of Directors at its twenty-first meeting. They are now submitted to the Shareholders' Meeting for appointment. See the appendix for the Resumes of Candidates for Directors and Independent Directors. (Please refer to pages 45-46 of this handbook.)

(IV) The term of the new directors shall be three years from June 18, 2021, to June 17, 2024.

Resolution:

Case5: Proposal to release the newly elected directors of the Fifteenth Board of Directors of the Company and their Representatives from non-competition restrictions. It is submitted for resolution. (Proposed by Board of Directors)

Explanations:(I) The new directors of the Company and their representatives have behaved without prejudice to the interests of the Company within their own business scope or those of others. Pursuant to Article 209 of the Company Act, the Company is hereby requesting the Shareholders' Meeting to release the non-competition restriction over such directors and their representatives.

(II) It is proposed to lift the non-competition restriction over the directors as follows:

Position	Name	Positions held concurrently in any other companies
Director	WONG, MING- SEN	Chairman of Transtouch Technology Inc.
		Chairman of Sun Well Solar Corporation
		Director of EMC Investment Holding Ltd.
		Director of Super Net Holding Ltd.
		Director of F5 Holdings Ltd.
		Director of Media Factory LLC
		Director of CIA Holding Corp.
		Director of Jiangsu Yongxing Multimedia Co., Ltd.
		Director of Kinease Investment Ltd.
		Director of CHUNG HSIN ELECTRIC & MACHINERY MANUFACTURING CORPORATION.
		Director of Chateau International Development Co., Ltd.

Position	Name	Positions held concurrently in any other companies
Director	YANG, YA-HSIU	Director of Transtouch Technology Inc.
		Director of EMC Investment Holding Ltd.
		Director of F5 Holdings Ltd.
		Director of Media Factory LLC
		Director of Jiangsu Yongxing Multimedia Co., Ltd.
Director	KUO, JUNEE-HUEY	Director of China Petrochemical Development Corporation
Independent Director	SHIAU, FUNG-SHYUNG	Independent Director of Eastek
		Independent Director of Wayi International Digital Entertainment Co., Ltd.
		Independent Director of Transtouch Technology Inc.
Independent Director	WU, CHENG-HSIU	Independent Director of DELTAMAC (TAIWAN) Co., Ltd.
		Independent Director of Transtouch Technology Inc.
Independent Director	LEE, MING-YEN	Director of Sunriser Medical Co., Ltd.

Resolution:

Motions

Adjournment

Appendix I

CMC Magnetics Corporation 2020 Business Report

Having merged with Verbatim in 2019, CMC has overcome the slump of the declining optical disk industry and transitioned itself as a global leader in electronics brand with a product line that includes not just optical disks, but also hard disks and flash memory storage devices. In addition, CMC has also expanded into the electronics peripherals and components and LED lighting equipment, and will expand to cloud computing and big data.

CMC has achieved the following stellar performance in terms of revenues, profits, and finances in 2020:

- (I) Growth in consolidated revenues: 2020 saw a significant increase of 33% YoY.
- (II) Stable profits: CMC has achieved its profit goals for three consecutive years, and the net profit margin has grown from 16% in 2019 to 21% in 2020.
- (III) Sound financial structure: CMC's debt ratio in 2020 is 22% and current ratio is 390%, showing a financial structure far more robust than industry standards. CMC has robust working capital, and as of 2020, the cumulative paid-in capital has reached NT\$7.64 billion. To give back to the shareholders, CMC has proposed to allocate NT\$810 million from the paid-in capital, in which NT\$0.7 of cash dividend will be distributed per share to shareholders.

The following are operational results in 2020 and subsequent plans for the future:

I. 2020 Operational Results and Performance

(I) Implementation of the Business Plan:

The Company's 2020 individual net operating revenue is NT\$3,935,194 thousand (denominational currency henceforth is NTD), showing a 29% decrease YoY. Operating margin has decreased by 40% YoY, with net profits of NT\$111,073 thousand.

(II) Financial Revenues and Expenditures:

The Company's individual net cash inflow from operating activities in 2020 is NT\$400,579 thousand; net cash inflow from investing activities is NT\$572,922 thousand, while net cash outflow from financing activities is NT\$513,966 thousand. The overall financial revenue and expenditure shows an approximate decrease of NT\$341,623 thousand of cash and cash equivalents.

(III) Profitability Analysis

Item	2020	2019
Return on Assets (ROA)	0.60	1.02
Return on Equity (ROE)	0.58	1.19
Ratio of Operating	(1.04)	2.83
Ratio of Pretax Net	1.22	2.06
Net Profit Margin (%)	2.82	4.15
Earnings Per Share	0.10	0.20

(IV) Research and Development Status:

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

- Completed product output of 200GB high-capacity optical product
- Stable production of various printed optical products with high margin designed for high-end B2B market

- Achieved customer verification of various archival disk (AD) products and started production and output

Expected to commence

- Development and trial production of 300 GB, 500GB and even higher capacity double-sided multi-layer optical disk
- Development of archival disk with even higher capacity
- Development of biomedical and chemical technologies

II. Outline of 2021 Business Plan:

Summary of 2021 Business Plan and Future Development Strategies are as follows:

(I) Global brand marketing

Verbatim has strong management teams in European, US, and Japanese markets. It will continue to provide reliable products to customers through its outstanding brand image, tight network, and physical retail channels.

(II) Enhance product capabilities

Mass production of CMC's 200G archival disk has already begun, and the Company will continue to develop more advanced archival disks of 300GB and even larger capacity and profit margin. In response to online information security and technological trends, CMC has also actively invested toward research and developments of cloud-based products so as to provide customers with even more comprehensive data storage solutions.

(III) Enhance Soft Power in the Form of Culture and Creativity Industry

CMC Group established the Beaumont Creative Park at Yangmingshan in Taipei in 2017, and six distinctively different restaurants were opened one by one, including Com in Dim, Vino fiore, Jing-tzu-zui, Beaumont Bakery Store, Tai-tzu-zui, and Kuo-tzu-zui. The six restaurants have turned the

dilapidated U.S. army dormitories into the most beautiful recreational area at the back of the Yangmingshan National Park.

TSUTAYA BOOKSTORE, operated by CMC Group's Cultural and Creative Leisure Business, is located at prime areas including Taipei's Xinyi District and near National Taichung Theater. A third store will be opened at Tainan at the end of 2021, thereby helping CMC to expand its business roadmap throughout Taiwan.

(IV) Operational Management Optimization and Asset Activation

CMC will continue to adjust production plans to optimize operational effectiveness through conserving resources and management costs. To enhance the return on assets, land and plants with lower utilization efficiency will either be activated or disposed of.

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

Chairman:  Manager:  Accounting Supervisor: 

Appendix II

CMC Magnetics Corporation Audit Committee's Report

It is to certify that

The 2020 Business Report, Financial Statements, and the profit distribution plan submitted by the Board of Directors have been reviewed by us, the Audit Committee of the Company. We have not found any inconsistencies with applicable laws in our review of the aforementioned documents. Therefore, we are hereby issuing this report in compliance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please review.

Sincerely,

2021 Annual General Meeting of CMC Magnetics Corporation

Convener of the Audit Committee
SHIAU, FUNG-SHYUNG

March 25, 2021

Appendix III

Independent Auditors' Report

(2021) Order Cai-Shen-Pao No. 20004289

To CMC Magnetics Corporation,

Audit Opinion

We have reviewed the accompanying parent company alone balance sheets of CMC Magnetics Corporation (the “Company”) for the years ended December 31, 2020 and 2019 and the relevant parent company alone statements of comprehensive income, changes in equity and cash flows for the years then ended, and relevant notes, including a summary of significant accounting policies “(collectively referred to as the parent company only financial statements)”.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019 and for the years then ended, and its standalone financial performance and its standalone cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers based on our audit results and the audit reports of other certified public accountants (CPAs)(refer to the section of “Other matters”).

Basis for Audit Opinion

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China for 2020, while in compliance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants, FSC Letter Jin-Guan-Zheng-Shen No. 1090360805 dated February 25, 2020, and the auditing standards generally accepted in the Republic of China for 2019. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of this report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our auditing results and other independent auditors' reports, we believe that we have obtained sufficient and appropriate audit evidence to serve as the basis for our opinion.

Key Audit Matters

Key audit matters refer to the most vital matters in our audit of the parent company only financial statements of the Company for the year ended December 31, 2020 based on our professional judgment. Such matters have been dealt with in the course of auditing and compiling the parent company only financial statements and in the preparation of our audit opinion. As such, we do not respond to each key matter individually.

Key audit matters of the parent company only financial statements of the Company for the year ended December 31, 2020 are stated as follows

Accounting estimation of inventory valuation

Description

Refer to Note 4(12) to the parent company only financial statements for accounting policies regarding inventory valuation; Note 5(2) for uncertainty of accounting estimates and assumptions regarding inventory valuation; and Note 6(6) for details of inventory accounting titles.

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

Corresponding audit procedures

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

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

Evaluation of impairment of property, plant and equipment

Description

For the accounting policies for impairment of property, plant and equipment and non-financial assets, please refer to Notes 4(14) and 4(19) of the parent company only financial statements; for the uncertainty of accounting estimates and assumptions for impairment of property, plant and equipment, please refer to Note 5(2) of the parent company only financial statements; for the description of impairment accounting items of property, plant and equipment and non-financial assets, please refer to Notes 6(8) and 6 (11) of the parent company only financial statements.

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

Corresponding audit procedures

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

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

Other Matters – Audits by other CPAs

The financial statements of some of the subsidiaries and investees under the equity method that are included in the parent company only financial statements of the Company were not audited by us but by other CPAs. Therefore, the opinions issued by us regarding the amounts listed in such subsidiary financial reports from the parent company only financial statements mentioned above are based on the audit report from other CPAs. The amount of investment in the aforementioned companies using the equity method as of December 31, 2020 and 2019 was NT\$2,020,878 thousand and NT\$2,954,517 thousand, respectively, accounting for 8.62% and 12.24% of total assets, respectively. For the year ended December 31, 2020 and 2019, the comprehensive income recognized for the aforementioned companies was NT\$64,122 thousand and NT\$(1,914,014) thousand, respectively, accounting for (143.97%) and (745.99%) of the total comprehensive income, respectively.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

The responsibilities of the management are to prepare the parent company only financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and to maintain necessary internal control associated with the preparation in order to ensure that the financial statements are free from material misstatement arising from fraud or error.

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

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

Auditor's responsibilities for the audit of the parent company only financial statements

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

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

1. Identify and assess the risks of material misstatement arising from fraud or error within the parent company only financial statements; design and execute appropriate countermeasures in response to said risks, and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error.
2. Understand the internal control related to the audit in order to design appropriate audit procedures under the circumstances, while not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by the management.
4. Conclude on the appropriateness of the management's adoption of the going concern basis of accounting based on the audit evidence obtained and whether a material uncertainty exists for events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we are of the opinion that a material uncertainty exists for said events or conditions, we shall remind users of the parent company only financial statements to pay attention to relevant disclosures in said statements within our audit report. If such disclosures are inadequate, we need to modify our opinion. Our conclusions is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the parent company only financial statements (including relevant notes), and whether the parent company only financial statements adequately present the relevant transactions and events.
6. Obtain sufficient and appropriate audit evidence concerning the financial information of entities within the Company, to express an opinion on the parent company only financial statements. We

are responsible for guiding, supervising, and performing the audit and forming an audit opinion on the Company.

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

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

From the matters communicated with the governance bodies, we determined the key audit matters for the audit of the Company's parent company only financial statements for the year ended December 31, 2020. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers Taiwan

Yu, Shu-Fen

CPA

Chang, Shu-chiung

Financial Supervisory Commission

Approval No.: Jin-Guan-Zheng-Shen No. 1030027246

Former Financial Supervisory Commission, Executive Yuan,

Approval No.: Jin-Guan-Zheng-Shen No. 0990042602

March 31, 2021

CMC Magnetics Corporation

Parent Company Only Balance Sheet For the Years Ended December 31, 2020 and 2019

Unit: NT\$ thousands

	Assets	Notes	December 31, 2020		December 31, 2019	
			Amount	%	Amount	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 759,771	3	\$ 1,101,394	5
1110	Financial assets at fair value through profit or loss - current	6(2)	3,303,756	14	3,267,508	13
1136	Financial assets at amortized cost - current	8	2,400	-	8,400	-
1150	Notes receivable, net	6(4)	242	-	1,094	-
1160	Notes receivable - related parties, net	7	-	-	4,330	-
1170	Net trade receivables	6(4)(5)	392,301	2	935,139	4
1180	Trade receivables - related parties, net	7	763,224	3	275,234	1
1200	Other receivables	6(5)	166,492	1	154,109	1
1210	Other receivables from related parties	7	1,416,015	6	1,879,346	8
130X	Inventories	6(6)	1,140,733	5	1,147,662	5
1479	Other current assets - others		47,117	-	93,233	-
11XX	Total current assets		<u>7,992,051</u>	<u>34</u>	<u>8,867,449</u>	<u>37</u>
Non-current assets						
1510	Financial assets at fair value through profit or loss - non-current	6(2) and 8	1,304,456	6	365,000	2
1517	Financial assets at fair value through other comprehensive income - non-current	6(3) and 7	47,441	-	32,160	-
1550	Investments accounted for using the equity method	6(7), 7, and 8	8,345,991	36	8,642,496	36
1600	Property, plant and equipment	6(8)(11), 7, and 8	4,235,057	18	4,840,399	20
1755	Right-of-use assets	6(9)	11,841	-	22,265	-
1760	Investment properties, net	6(10) and 8	759,485	3	531,472	2
1780	Intangible assets	7	93,161	-	105,379	-
1840	Deferred income tax assets	6(26)	217,821	1	248,585	1
1900	Other non-current assets	6(12) and 7	432,449	2	475,301	2
15XX	Total non-current assets		<u>15,447,702</u>	<u>66</u>	<u>15,263,057</u>	<u>63</u>
1XXX	Total assets		<u>\$ 23,439,753</u>	<u>100</u>	<u>\$ 24,130,506</u>	<u>100</u>

(Continued on the next page)

Liabilities and equity	Notes	December 31, 2020		December 31, 2019		
		Amount	%	Amount	%	
Current liabilities						
2100	Short-term borrowings	6(13)	\$ 110,341	1	\$ 150,000	1
2130	Contract liabilities – current	6(20)	53,173	-	77,431	-
2150	Notes payable		86,349	-	321,338	1
2170	Trade payables		342,211	2	205,175	1
2180	Trade payables - related parties	7	7,365	-	7,749	-
2200	Other payables		415,098	2	300,556	1
2220	Other receivables - related parties	7	25,591	-	89,087	-
2280	Lease liabilities - current		9,957	-	11,686	-
2320	Long-term liabilities due within one year or one operating cycle	6(14) and 8	541,000	2	875,460	4
2399	Other current liabilities - others		15,027	-	35,369	-
21XX	Total current liabilities		<u>1,606,112</u>	<u>7</u>	<u>2,073,851</u>	<u>8</u>
Non-current liabilities						
2540	Long-term borrowings	6(14) and 8	1,589,000	7	1,485,000	6
2570	Deferred income tax liabilities	6(26)	21,397	-	21,954	-
2580	Lease liabilities - non-current		1,977	-	10,638	-
2600	Other non-current liabilities	6(7)(15)	1,244,692	5	1,312,521	6
25XX	Total non-current liabilities		<u>2,857,066</u>	<u>12</u>	<u>2,830,113</u>	<u>12</u>
2XXX	Total liabilities		<u>4,463,178</u>	<u>19</u>	<u>4,903,964</u>	<u>20</u>
Equity						
	Share capital	6(16)				
3110	Common stock		11,588,812	50	11,588,812	48
	Capital surplus	6(17)				
3200	Capital surplus		7,642,963	32	7,700,295	32
	Retained earnings	6(18)				
3310	Legal reserve		21,379	-	-	-
3350	Retained earnings		129,554	1	213,793	1
	Other equity					
3400	Other equity	6(19)	(406,133)	(2)	(276,358)	(1)
3XXX	Total equity		<u>18,976,575</u>	<u>81</u>	<u>19,226,542</u>	<u>80</u>
	Significant contingent liabilities and unrecognized contractual commitments	6(14), 7, and 9				
	Material events after the balance sheet date	11				
3X2X	Total liabilities and equity		<u>\$ 23,439,753</u>	<u>100</u>	<u>\$ 24,130,506</u>	<u>100</u>

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

Chairman: Wong, Ming-Sen

Manager: Wong, Ming-Sen

Accounting Manager: Pi-yin Yang

CMC Magnetics Corporation

Parent Company Only Statement of Comprehensive Income

For the Years Ended December 31, 2020 and 2019

Unit: NTS thousands, except for earnings per share

Items	Notes	2020		2019	
		Amount	%	Amount	%
4000 Operating revenue	6(20) and 7	\$ 3,935,194	100	\$ 5,504,373	100
5000 Operating costs	6(6)(15)(25) and 7	(3,286,936)	(83)	(4,616,614)	(84)
5900 Gross operating profit		648,258	17	887,759	16
5910 Unrealized (gains) losses on sales		(108,828)	(3)	2,780	-
5920 Realized losses on sales		(2,780)	-	(2,022)	-
5950 Gross operating profit, net		536,650	14	888,517	16
Operating expenses	6(15)(25)				
6100 Selling and marketing expenses		(234,321)	(6)	(219,728)	(4)
6200 Administrative expenses		(130,572)	(3)	(140,471)	(2)
6300 Research and development expenses		(219,738)	(6)	(204,830)	(4)
6450 Expected credit impairment (losses) gains	12(2)	(72,988)	(2)	5,022	-
6000 Total operating expenses		(657,619)	(17)	(560,007)	(10)
6900 Operating (losses) gains		(120,969)	(3)	328,510	6
Non-operating income and expenses					
7100 Interest revenue	6(21) and 7	27,937	1	24,043	-
7010 Other income	6(22) and 7	212,007	6	115,028	2
7020 Other gains and losses	6(2)(23)	(183,729)	(5)	33,718	1
7050 Finance costs	6(24)	(41,583)	(1)	(42,992)	(1)
7070 Share of profit (loss) on subsidiaries, associates, and joint ventures accounted for using equity method		247,919	6	(219,993)	(4)
7000 Total non-operating income and expenses		262,551	7	(90,196)	(2)
7900 Net income before tax		141,582	4	238,314	4
7950 Income tax expense	6(26)	(30,509)	(1)	(9,609)	-
8200 Net profit		\$ 111,073	3	\$ 228,705	4
Other comprehensive income, net					
Items that will not be reclassified to profit or loss					
8311 Remeasurement of defined benefit plans	6(15)	(\$ 1,843)	-	\$ 14,009	-
8316 Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	6(3)(19)	17,215	-	11,128	-
8330 Share of other comprehensive income on subsidiaries, associates, and joint ventures accounted for using the equity method – not reclassified to profit or loss		(45,997)	(1)	35,959	1
8349 Income tax related to items that will not be reclassified	6(26)	241	-	(3,012)	-
8310 Sum of items that will not be reclassified to profit or loss		(30,384)	(1)	58,084	1
Items that may be reclassified subsequently to profit or loss					
8361 Exchange differences on translating the financial statements of foreign operations	6(19)	(124,129)	(3)	(10,031)	-
8380 Share of other comprehensive income on subsidiaries, associates, and joint ventures accounted for using the equity method – may be reclassified to profit or loss	6(19)	(1,097)	-	(20,183)	-
8360 Sum of items that may be reclassified subsequently to profit or loss		(125,226)	(3)	(30,214)	-
8500 Total comprehensive income for current period		(\$ 44,537)	(1)	\$ 256,575	5
Earnings per share	6(27)				
9750 Basic earnings per share		\$ 0.10		\$ 0.20	
9850 Diluted earnings per share		\$ 0.10		\$ 0.20	

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

Chairman: Wong, Ming-Sen

Manager: Wong, Ming-Sen

Accounting Manager: Pi-yin Yang

CMC Magnetics Corporation

Parent Company Only Statements of Changes in Equity For the Years Ended December 31, 2020 and 2019

Unit: NT\$ thousands

	Notes	Retained earnings				Other equity				Total
		Common stock	Capital surplus	Legal reserve	Unappropriated earnings (losses to be compensated)	Exchange differences on translating the financial statements of foreign operations	Unrealized gains or losses on financial assets at fair value through other comprehensive income	Equity directly associated with non-current assets held for sale	Treasury shares	
2019										
Balance as of January 1, 2019		\$ 17,741,264	\$ 7,542,770	\$ -	(\$ 5,671,352)	(\$ 115,422)	(\$ 179,753)	\$ -	(\$ 251,103)	\$ 19,066,404
Net profit		-	-	-	228,705	-	-	-	-	228,705
Other comprehensive income for current period	6(19)	-	-	-	12,047	(6,505)	46,037	(23,709)	-	27,870
Total comprehensive income for current period		-	-	-	240,752	(6,505)	46,037	(23,709)	-	256,575
Capital reduction to offset losses	6(16)	(5,671,352)	-	-	5,671,352	-	-	-	-	-
Treasury stock repurchase	6(16)	-	-	-	-	-	-	-	(72,904)	(72,904)
Cancellation of treasury shares	6(16)(17)	(481,100)	157,093	-	-	-	-	-	324,007	-
Changes in ownership interests in subsidiaries	6(17)	-	355	-	-	-	-	-	-	355
Difference between the equity price of subsidiary actually acquired or disposed of and the book value	6(17)	-	77	-	(23,965)	-	-	-	-	(23,888)
Disposal of equity instruments measured at fair value through other comprehensive income	6(19)	-	-	-	(2,994)	-	2,994	-	-	-
Balance as of December 31, 2019		\$ 11,588,812	\$ 7,700,295	\$ -	\$ 213,793	(\$ 121,927)	(\$ 130,722)	(\$ 23,709)	\$ -	\$ 19,226,542
2020										
Balance as of January 1, 2020		\$ 11,588,812	\$ 7,700,295	\$ -	\$ 213,793	(\$ 121,927)	(\$ 130,722)	(\$ 23,709)	\$ -	\$ 19,226,542
Net profit		-	-	-	111,073	-	-	-	-	111,073
Other comprehensive income for current period	6(19)	-	-	-	(962)	(125,226)	(29,422)	-	-	(155,610)
Total comprehensive income for current period		-	-	-	110,111	(125,226)	(29,422)	-	-	(44,537)
Appropriation of earnings for 2019:	6(18)	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	21,379	(21,379)	-	-	-	-	-
Cash dividends	6(17)	-	(57,944)	-	(173,832)	-	-	-	-	(231,776)
Changes in ownership interests in subsidiaries	6(17)	-	612	-	-	-	-	-	-	612
Disposal of equity instruments measured at fair value through other comprehensive income	6(3)(19)	-	-	-	861	-	(861)	-	-	-
Disposal of subsidiaries		-	-	-	-	2,025	-	23,709	-	25,734
Balance as of December 31, 2020		\$ 11,588,812	\$ 7,642,963	\$ 21,379	\$ 129,554	(\$ 245,128)	(\$ 161,005)	\$ -	\$ -	\$ 18,976,575

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

Chairman: Wong, Ming-Sen

Manager: Wong, Ming-Sen

Accounting Manager: Pi-yin Yang

CMC Magnetism Corporation

Parent Company Only Statements of Cash Flows

For the Years Ended December 31, 2020 and 2019

Unit: NT\$ thousands

	Notes	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
<u>Cash flows from operating activities</u>			
Net income before tax for the period		\$ 141,582	\$ 238,314
Adjustments			
Adjustments for			
Depreciation expenses	6(8)(9)(25)	506,824	548,552
Amortization expenses	6(25)	53,155	40,744
Depreciation expenses not for self-use (listed in other gains and losses)	6(8)(9)(10)(23)	33,835	20,197
Expected credit impairment losses (gains)	12(2)	72,988	(5,022)
Net losses (gains) on financial assets and liabilities at fair value through profit and loss	6(2)(23)	47,879	(74,679)
Interest expenses	6(24)	40,318	33,710
Interest revenue	6(21)	(27,937)	(24,043)
Dividend income	6(22)	(110,445)	(44,750)
Share of profit (loss) on subsidiaries, associates, and joint ventures accounted for using equity method		(247,919)	219,993
Gains on disposal of property, plant and equipment and other non-current assets	6(23)	(1,095)	(2,247)
Realized losses between associates		2,780	2,022
Unrealized gains (losses) between associates		108,828	(2,780)
Gains on disposal of investments	6(23)	(12,531)	-
Gains on lease modification	6(9)	(1)	-
Changes in assets/liabilities related to operating activities			
Net changes in operating assets			
Financial assets mandatorily at fair value through profit or loss		(1,007,708)	(1,509,319)
Notes receivable (including related and non-related parties)		5,192	4,445
Trade receivable (including related and non-related parties)		29,925	450,422
Other receivables (including related and non-related parties)		(73,181)	(56,033)
Inventories		6,929	(223,146)
Other current assets		46,114	(31,119)
Net changes in operating liabilities			
Financial liabilities at fair value through profit or loss		(9,259)	(3,937)
Contract liabilities		(24,258)	(16,455)
Notes and trade payable (including related and non-related parties)		(75,178)	(548,592)
Other payables (including related and non-related parties)		103,708	(86,269)
Other current liabilities		(20,342)	4,555
Net defined benefit liabilities		(88,440)	(14,402)
Cash outflow from operating activities		(498,237)	(1,079,839)
Interest received		27,953	24,042
Dividends received		110,397	45,069
Interest paid		(40,635)	(34,772)
Income tax paid		(57)	(2,350)
Net cash outflow from operating activities		(400,579)	(1,047,850)

(Continued on the next page)

	Notes	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
<u>Cash flows from investing activities</u>			
Decrease (increase) in receivables from financing provided to related parties		\$ 476,210	(\$ 723,070)
Price of acquisition of financial assets mandatorily at fair value through other comprehensive income		-	(4,471)
Proceeds from disposal of financial assets at fair value through other comprehensive income	7	-	6,222
Refund from capital reduction related to financial assets at fair value through other comprehensive income		1,934	9,077
Increase in financial assets at amortized cost		6,000	(6,000)
Acquisition of investments accounted for using the equity method	7	(40,000)	(112,200)
Proceeds from disposal of investments accounted for using the equity method		46,697	271
Refund from capital reduction related to investments accounted for using the equity method	7	-	700,000
Price of acquisition of property, plant and equipment	6(28)	(898)	(662)
Proceeds from disposal of property, plant and equipment and other non-current assets		1,236	2,493
Acquisition of intangible assets	6(28)	(104,482)	(3,844)
Increase in refundable deposits		(479)	(801)
Increase in other non-current assets		(16,528)	(46,856)
Increase in prepayments for equipment (listed in other non-current assets)	6(28)	(102,057)	(165,827)
Dividends received		305,289	2,107,243
Net cash inflow from investing activities		<u>572,922</u>	<u>1,761,575</u>
<u>Cash flows from financing activities</u>			
Decrease in short-term borrowings	6(29)	(39,659)	(100,000)
Decrease in payable for financing provided by related parties		-	(1,400,000)
Increase in long-term notes payable	6(29)	200,000	-
Long-term borrowings taking place for current period	6(29)	621,000	1,960,000
Repayment of long-term borrowings for current period	6(29)	(1,051,460)	(2,707,940)
Repayment of principal of lease liabilities	6(9)(29)	(12,896)	(13,265)
Increase in guarantee deposits received		825	-
Cost of repurchase of treasury shares	6(16)	-	(80,266)
Cash dividends distributed	6(18)	(231,776)	-
Net cash outflow from financing activities		<u>(513,966)</u>	<u>(2,341,471)</u>
Decrease in cash and cash equivalents for current period		(341,623)	(1,627,746)
Cash and cash equivalents, beginning of period		1,101,394	2,729,140
Cash and cash equivalents, end of period		<u>\$ 759,771</u>	<u>\$ 1,101,394</u>

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

Chairman: Wong, Ming-Sen

Manager: Wong, Ming-Sen

Accounting Manager: Pi-yin Yang

Appendix IV

Representation Letter of CMC Magnetics Corporation

The entities that are required to be included in the consolidated financial statements of the Company as of and for the year ended December 31, 2020, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, a separate set of combined financial statements will not be prepared.

Hereby certify

CMC Magnetics Corporation

Chairman: Wong, Ming-Sen

March 31, 2021

Independent Auditors' Report

(2021) Order Cai-Shen-Pao No. 20004977

To CMC Magnetics Corporation,

Audit Opinion

We have reviewed the accompanying consolidated balance sheets of CMC Magnetics Corporation, (the “Company”) and its subsidiaries (collectively, the “Group”) for the years ended December 31, 2020 and 2019 and the relevant consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and relevant notes, including a summary of significant accounting policies “(collectively referred to as the consolidated financial statements)”.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019 and for the years then ended, and its consolidated financial performance and its consolidated cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China, based on our audit results and the audit reports of other certified public accountants (CPAs)(refer to the section of “Other Matters”).

Basis for Audit Opinion

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China for 2020, while in compliance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants, FSC Letter Jin-Guan-Zheng-Shen No. 1090360805 dated February 25, 2020, and the auditing standards generally accepted in the Republic of China for 2019. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of this report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our auditing results and other independent auditors' reports, we believe that we have obtained sufficient and appropriate audit evidence to serve as the basis for our opinion.

Key Audit Matters

Key audit matters refer to the most vital matters in our audit of the consolidated financial statements of the Group for the year ended December 31, 2020 based on our professional judgment. Such matters have been dealt with in the course of auditing and compiling the consolidated financial statements and in the preparation of our audit opinion. As such, we do not respond to each key matter individually.

Key audit matters of the consolidated financial statements of the Group for the year ended December 31, 2020 are stated as follows

Accounting estimation of inventory valuation

Description

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

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

Corresponding audit procedures

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

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

Evaluation of impairment of property, plant and equipment

Description

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

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

Corresponding audit procedures

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

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

Other Matters – Audits by other CPAs

The financial statements of some of the subsidiaries and investees under the equity method that are included in the consolidated financial statements of the Group were not audited by us but by other CPAs. Therefore, the opinions issued by us regarding the amounts listed in such subsidiary financial reports from the consolidated financial statements mentioned above are based on the audit report from other CPAs. The total assets (including investments using the equity method) of the aforementioned companies as of December 31, 2020 and 2019 were NT\$3,813,941 thousand and NT\$5,477,804 thousand, respectively, accounting for 15.38% and 21.52% of the total consolidated assets; the operating income for 2020 and 2019 was NT\$2,889,487 thousand and NT\$324,473 thousand, respectively, accounting for 30.74% and 4.61% of the consolidated operating income. In addition, part of the Group's investments using the equity method in 2020 and 2019 and part of the information on investees disclosed in Note 13 are based on their evaluation and disclosures of the financial statements made by other CPAs appointed by the investees. We did not audit said financial statements. The balance of said investment using the equity method disclosed as of December 31, 2020 and 2019 was NT\$300,803 thousand and NT\$461,465 thousand, respectively, accounting for 1.21% and 1.81% of the total consolidated assets; the comprehensive income (including the share of profit and loss and other comprehensive income on associates and joint ventures recognized under the equity method) are NT\$(64,094) thousand and NT\$106,694 thousand, accounting for 261.96% and 51.65% of the total comprehensive income.

Other Matters - Parent Company Only Financial Reports

The Company has also prepared the parent company only financial statements for the years ended December 31, 2020 and 2019, for which we have issued an unqualified opinion, plus the audit report as in the section of other matters

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

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

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

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

CPAs' Responsibilities for the Audit of Consolidated Financial Statements

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

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

4. Conclude on the appropriateness of the management's adoption of the going concern basis of accounting based on the audit evidence obtained and whether a material uncertainty exists for events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we believe there are events or conditions indicating the existence of a material uncertainty, we are required to remind the users of the consolidated financial statements in our audit report of the relevant disclosures therein, or to amend our audit opinion when any inappropriate disclosure is found. Our conclusion is based on the audit evidence acquired as of the date of the audit report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall expression, structure and contents of the consolidated financial statements (including relevant Notes), and whether the consolidated financial statements fairly present relevant transactions and items.
6. Obtain sufficient and appropriate audit evidence concerning the financial information of entities within the Group, to express an opinion on the consolidated financial statements. We are responsible for guiding, supervising, and performing the audit and forming an audit opinion on the Group.

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

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

From the matters communicated with the governance bodies, we determined the key audit matters for the audit of the Group's consolidated financial statements for the year ended December 31, 2020. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers Taiwan

Yu, Shu-Fen

CPA

Chang, Shu-chiung

Financial Supervisory Commission

Approval No.: Jin-Guan-Zheng-Shen No. 1030027246

Former Financial Supervisory Commission, Executive Yuan,

Approval No.: Jin-Guan-Zheng-Shen No. 0990042600

March 31, 2021

CMC Magnetics Corporation and Its Subsidiaries
Consolidated Balance Sheets
For the Years Ended December 31, 2020 and 2019
Unit: NTS thousands

	Assets	Notes	December 31, 2020		December 31, 2019	
			Amount	%	Amount	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 3,697,814	15	\$ 3,327,127	13
1110	Financial assets at fair value through profit or loss - current	6(2)	4,186,911	17	4,122,089	16
1136	Financial assets at amortized cost - current	6(4) and 8	257,006	1	258,714	1
1150	Notes receivable, net	6(5) and 7	4,236	-	6,786	-
1170	Net trade receivable	6(5)(6) and 7	1,702,325	7	2,356,468	9
1200	Other receivables	4(3) and 6(6)	413,384	2	270,246	1
130X	Inventories	6(7)	2,796,644	11	3,093,515	12
1460	Non-current assets held for sale, net	6(13)	4,810	-	384,444	2
1479	Other current assets - others	6(2)(12)	221,501	1	277,493	1
11XX	Total current assets		<u>13,284,631</u>	<u>54</u>	<u>14,096,882</u>	<u>55</u>
Non-current assets						
1510	Financial assets at fair value through profit or loss - non-current	6(2) and 8	3,097,478	12	2,171,840	9
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	369,487	1	427,196	2
1535	Financial assets at amortized cost - non-current	6(4) and 8	16,198	-	25,392	-
1550	Investments accounted for using the equity method	6(8)	300,803	1	463,760	2
1600	Property, plant and equipment	6(9)(12) and 8	5,547,534	22	6,329,013	25
1755	Right-of-use assets	6(10)(12)	261,700	1	125,178	-
1760	Investment properties, net	6(11) and 8	626,145	3	374,418	1
1780	Intangible assets	6(12)	146,877	1	181,740	1
1840	Deferred income tax assets	6(31)	488,033	2	515,798	2
1900	Other non-current assets	6(3)(12)				
		(14)	666,123	3	746,923	3
15XX	Total non-current assets		<u>11,520,378</u>	<u>46</u>	<u>11,361,258</u>	<u>45</u>
1XXX	Total assets		<u>\$ 24,805,009</u>	<u>100</u>	<u>\$ 25,458,140</u>	<u>100</u>

(Continued on the next page)

Liabilities and equity	Notes	December 31, 2020		December 31, 2019		
		Amount	%	Amount	%	
Current liabilities						
2100	Short-term borrowings	6(15) and 8	\$ 353,017	2	\$ 206,000	1
2120	Financial liabilities at fair value through profit or loss- current	6(16)	-	-	670	-
2130	Contract liabilities – current	6(25)	85,641	-	245,282	1
2150	Notes payable		88,478	-	327,272	1
2170	Trade payables		797,840	3	733,673	3
2200	Other payables	6(17)(34)	1,127,022	5	1,218,841	5
2230	Current tax liabilities		181,506	1	64,900	-
2260	Liabilities directly associated with non-current assets held for sale	6(13)	-	-	147,444	1
2280	Lease liabilities - current		63,188	-	61,465	-
2320	Long-term liabilities due within one year or one operating cycle	6(18) and 8	541,000	2	875,460	3
2399	Other current liabilities - others		168,775	1	114,711	1
21XX	Total current liabilities		<u>3,406,467</u>	<u>14</u>	<u>3,995,718</u>	<u>16</u>
Non-current liabilities						
2540	Long-term borrowings	6(18) and 8	1,589,000	6	1,485,000	6
2570	Deferred income tax liabilities	6(31)	96,884	-	100,339	-
2580	Lease liabilities - non-current		187,261	1	50,671	-
2600	Other non-current liabilities	6(8)(19)	203,746	1	292,764	1
25XX	Total non-current liabilities		<u>2,076,891</u>	<u>8</u>	<u>1,928,774</u>	<u>7</u>
2XXX	Total liabilities		<u>5,483,358</u>	<u>22</u>	<u>5,924,492</u>	<u>23</u>
Equity						
Equity attributable to the owners of parent company						
	Share capital	6(21)				
3110	Common stock		11,588,812	47	11,588,812	45
	Capital surplus	6(22)				
3200	Capital surplus		7,642,963	31	7,700,295	31
	Retained earnings	6(23)				
3310	Legal reserve		21,379	-	-	-
3350	Retained earnings		129,554	1	213,793	1
	Other equity	6(24)				
3400	Other equity		(406,133)	(2)	(276,358)	(1)
31XX	Total equity attributable to the owners of parent company		<u>18,976,575</u>	<u>77</u>	<u>19,226,542</u>	<u>76</u>
36XX	Non-controlling interests	4(3)	<u>345,076</u>	<u>1</u>	<u>307,106</u>	<u>1</u>
3XXX	Total equity		<u>19,321,651</u>	<u>78</u>	<u>19,533,648</u>	<u>77</u>
	Significant contingent liabilities and unrecognized contractual commitments	6(18) and 9				
	Material events after the balance sheet date	11				
3X2X	Total liabilities and equity		<u>\$ 24,805,009</u>	<u>100</u>	<u>\$ 25,458,140</u>	<u>100</u>

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

Chairman: Wong, Ming-Sen

Manager: Wong, Ming-Sen

Accounting Manager: Pi-yin Yang

CMC Magnetics Corporation and Its Subsidiaries

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2020 and 2019

Unit: NTS thousands, except for earnings per share

Items	Notes	2020		2019	
		Amount	%	Amount	%
4000 Operating revenue	6(2)(8)(25) and 7	\$ 9,401,027	100	\$ 7,045,247	100
5000 Operating costs	6(7)(19)(30)	(7,397,634)	(79)	(5,926,766)	(84)
5900 Gross operating profit		2,003,393	21	1,118,481	16
Operating expenses	6(19)(30)and 7				
6100 Selling and marketing expenses		(984,317)	(11)	(502,807)	(7)
6200 Administrative expenses		(845,637)	(9)	(309,189)	(4)
6300 Research and development expenses		(296,480)	(3)	(399,583)	(6)
6450 Expected credit loss	12(2)	(108,303)	(1)	(506)	-
6000 Total operating expenses		(2,234,737)	(24)	(1,212,085)	(17)
6900 Operating losses		(231,344)	(3)	(93,604)	(1)
Non-operating income and expenses					
7100 Interest revenue	6(4)(26)	16,470	-	18,154	-
7010 Other income	6(27)	279,870	3	1,920,351	27
7020 Other gains and losses	6(2)(16)(28)	277,150	3	(1,587,124)	(22)
7050 Finance costs	6(29)	(49,599)	-	(44,960)	(1)
7060 Share of profit (loss) on associates and joint ventures accounted for using equity method	6(8)	(62,997)	(1)	862	-
7000 Total non-operating income and expenses		460,894	5	307,283	4
7900 Net income before tax		229,550	2	213,679	3
7950 Income tax expense	6(31)	(104,723)	(1)	(2,163)	-
8000 Net profit from continuing operations		124,827	1	211,516	3
8100 Loss from discontinued operations	6(13)	-	-	(43,930)	(1)
8200 Net profit		\$ 124,827	1	\$ 167,586	2

(Continued on the next page)

Items	Notes	2020		2019		
		Amount	%	Amount	%	
Other comprehensive income, net						
Items that will not be reclassified to profit or loss						
8311	Remeasurement of defined benefit plans	6(19)	\$ 4,736	-	\$ 15,260	-
8316	Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	6(3)(24) and 12(3)	(29,458)	-	46,006	1
8349	Income tax related to items that will not be reclassified	6(31)	373	-	(3,253)	-
8310	Sum of items that will not be reclassified to profit or loss		(24,349)	-	58,013	1
Items that may be reclassified subsequently to profit or loss						
8361	Exchange differences on translating the financial statements of foreign operations	6(24)	(123,848)	(1)	1,153	-
8365	Equity directly related to non-current assets held for sale (or disposal groups)	6(13) (24)	-	-	(23,709)	-
8370	Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	6(24)	(1,097)	-	3,526	-
8360	Sum of items that may be reclassified subsequently to profit or loss		(124,945)	(1)	(19,030)	-
8500	Total comprehensive income for current period		<u>(\$ 24,467)</u>	<u>-</u>	<u>\$ 206,569</u>	<u>3</u>
Net income (loss) attributable to:						
8610	Owners of parent company		\$ 111,073	1	\$ 228,705	3
8620	Non-controlling interests		13,754	-	(61,119)	(1)
	Total		<u>\$ 124,827</u>	<u>1</u>	<u>\$ 167,586</u>	<u>2</u>
Total comprehensive income/(loss) attributable to:						
8710	Owners of parent company		(\$ 44,537)	-	\$ 256,575	4
8720	Non-controlling interests		20,070	-	(50,006)	(1)
	Total		<u>(\$ 24,467)</u>	<u>-</u>	<u>\$ 206,569</u>	<u>3</u>
Earnings per share						
9750	Basic earnings per share	6(32)	<u>\$ 0.10</u>		<u>\$ 0.20</u>	
9850	Diluted earnings per share		<u>\$ 0.10</u>		<u>\$ 0.20</u>	

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

Chairman: Wong, Ming-Sen

Manager: Wong, Ming-Sen

Accounting Manager: Pi-yin Yang

CMC Magnetics Corporation and Its Subsidiaries

Consolidated Statements of Changes in Equity For the Years Ended December 31, 2020 and 2019

Unit: NT\$ thousands

	Notes	Equity attributable to the owners of parent company												
		Retained earnings				Other equity						Total	Non-controlling interests	Total equity
		Common stock	Capital surplus	Legal reserve	Unappropriated earnings (losses to be compensated)	Exchange differences on translating the financial statements of foreign operations	Unrealized gains or losses on financial assets at fair value through other comprehensive income	Equity directly associated		Treasury shares				
								with non-current assets						
held for sale														
2019														
Balance as of January 1, 2019		\$17,741,264	\$7,542,770	\$	(\$5,671,352)	(\$115,422)	(\$179,753)	\$	(\$251,103)	\$19,066,404	\$427,829	\$19,494,233		
Net profit (loss)		-	-	-	228,705	-	-	-	-	228,705	(61,119)	167,586		
Other comprehensive income for current period	4(3), 6(3)(13)(24)	-	-	-	12,047	(6,505)	46,037	(23,709)	-	27,870	11,113	38,983		
Total comprehensive income for current period		-	-	-	240,752	(6,505)	46,037	(23,709)	-	256,575	(50,006)	206,569		
Capital reduction to offset losses	6(21)	(5,671,352)	-	-	5,671,352	-	-	-	-	-	-	-		
Treasury stock repurchase	6(21)	-	-	-	-	-	-	(72,904)	(72,904)	-	-	(72,904)		
Cancellation of treasury shares	6(21)(22)	(481,100)	157,093	-	-	-	-	-	324,007	-	-	-		
Changes in ownership interests in subsidiaries	6(22)	-	355	-	-	-	-	-	-	355	(355)	-		
Difference between the equity price of subsidiary actually acquired or disposed of and the book value	6(22)(33)	-	77	-	(23,965)	-	-	-	(23,888)	-	23,888	-		
Disposal of equity instruments measured at fair value through other comprehensive income	6(24)	-	-	-	(2,994)	-	2,994	-	-	-	-	-		
Changes in non-controlling interests	6(20)	-	-	-	-	-	-	-	-	-	2,959	2,959		
Net cash received from non-controlling interests of subsidiaries	6(33)	-	-	-	-	-	-	-	-	-	(97,480)	(97,480)		
Net cash paid for non-controlling interests of subsidiaries	6(33)	-	-	-	-	-	-	-	-	-	271	271		
Balance as of December 31, 2019		\$11,588,812	\$7,700,295	\$	\$213,793	(\$121,927)	(\$130,722)	(\$23,709)	\$	\$19,226,542	\$307,106	\$19,533,648		
2020														
Balance as of January 1, 2020		\$11,588,812	\$7,700,295	\$	\$213,793	(\$121,927)	(\$130,722)	(\$23,709)	\$	\$19,226,542	\$307,106	\$19,533,648		
Net profit		-	-	-	111,073	-	-	-	-	111,073	13,754	124,827		
Other comprehensive income for current period	6(3)(24)	-	-	-	(962)	(125,226)	(29,422)	-	-	(155,610)	6,316	(149,294)		
Total comprehensive income for current period		-	-	-	110,111	(125,226)	(29,422)	-	-	(44,537)	20,070	(24,467)		
Appropriation of earnings for 2019:	6(22)(23)	-	-	21,379	(21,379)	-	-	-	-	-	-	-		
Legal reserve		-	-	21,379	(21,379)	-	-	-	-	-	-	-		
Cash dividends		(57,944)	-	-	(173,832)	-	-	-	(231,776)	-	-	(231,776)		
Changes in ownership interests in subsidiaries	6(22)	-	612	-	-	-	-	-	612	(612)	-	-		
Disposal of equity instruments measured at fair value through other comprehensive income	6(24)	-	-	-	861	-	(861)	-	-	-	-	-		
Changes in non-controlling interests	6(20)	-	-	-	-	-	-	-	-	(903)	(903)	-		
Net cash received from non-controlling interests of subsidiaries		-	-	-	-	-	-	-	-	(777)	(777)	-		
Disposal of subsidiaries	6(24)(35)	-	-	-	-	2,025	-	23,709	-	25,734	20,192	45,926		
Balance as of December 31, 2020		\$11,588,812	\$7,642,963	\$21,379	\$129,554	(\$245,128)	(\$161,005)	\$	\$	\$18,976,575	\$345,076	\$19,321,651		

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

Chairman: Wong, Ming-Sen

Manager: Wong, Ming-Sen

Accounting Manager: Pi-yin Yang

CMC Magnetics Corporation and Its Subsidiaries

Consolidated Statements of Cash Flows For the Years Ended December 31, 2020 and 2019 Unit: NT\$ thousands

	Notes	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
Cash flows from operating activities			
Profit/(loss) before income tax from continuing operations		\$ 229,550	\$ 213,679
Pre-tax net loss of discontinued operations		-	(44,086)
Net income before tax for the period		229,550	169,593
Adjustments			
Adjustments for			
Depreciation expenses (including property, plant and equipment, right-of-use assets, and investment properties)	6(9)(10)(1)(28)(30)	787,195	1,145,621
Amortization expenses	6(30)	105,733	82,155
Expected credit impairment losses (gains)	12(2)	108,303	(921)
Interest expenses	6(29)	48,333	36,172
Interest revenue	6(26)	(16,470)	(18,356)
Dividend income	6(27)	(169,347)	(106,276)
Net losses (gains) on financial assets and liabilities at fair value through profit and loss	6(2)(16)(28)	136,476	(325,352)
Share-based payment (benefit) cost	6(20)	(903)	5,051
Share of loss (profit) of associates accounted for using equity method	6(8)	62,997	(106,694)
Gains on disposal of property, plant and equipment	6(9)(28)	(2,287)	(3,507)
Gains on disposal of subsidiaries	6(28)(35)	(231,435)	-
Gains on disposal of investments	6(28)	-	(49,866)
Gains on disposal of non-current assets held for sale	6(13)(28)	(212,335)	-
Financial asset impairment losses	6(28)	-	174
Non-financial asset impairment losses	6(12)(28)	8,407	1,605,033
Gains on lease modification	6(10)	(40)	-
Gains on bargain purchase	6(27)(34)	-	(1,810,471)
Gains on contract modification	6(28)(34)	(133,523)	-
Changes in assets/liabilities related to operating activities			
Net changes in operating assets			
Financial assets mandatorily at fair value through profit or loss		(1,010,566)	(1,425,614)
Notes receivable (including related and non-related parties)		1,348	17,216
Trade receivable (including related and non-related parties)		511,566	43,718
Other receivables		(14,605)	336,770
Inventories		289,206	(11,654)
Other current assets		39,878	(2,952)
Net changes in operating liabilities			
Financial liabilities at fair value through profit or loss		(9,259)	(3,937)
Notes and trade payable		(148,702)	(595,695)
Other payables		(73,590)	(120,522)
Contract liabilities		(149,664)	(7,029)
Other current liabilities		54,933	(20,727)
Decrease in accrued pension liability		(88,658)	-
Cash inflow (outflow) from operating activities		122,541	(1,168,070)
Interest received		16,029	18,098
Dividends received		169,398	212,582
Interest paid		(48,281)	(37,720)
Income tax paid		(26,277)	(17,371)
Net cash inflow (outflow) from operating activities		233,410	(992,481)

(Continued on the next page)

	Notes	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
<u>Cash flows from investing activities</u>			
Price of acquisition of financial assets mandatorily at fair value through profit or loss		(\$ 86,449)	(\$ 1,270,546)
Refund from capital reduction related to financial assets at fair value through other comprehensive income	12(3)	15,021	11,385
Price of acquisition of financial assets mandatorily at fair value through other comprehensive income	12(3)	-	(35,092)
Proceeds from disposal of financial assets at fair value through other comprehensive income	12(3)	-	15,709
Decrease (increase) in financial assets measured at amortized cost		9,004	(195,833)
Acquisition of subsidiaries (less the cash received)	6(34)	-	86,193
Refund from capital reduction related to investments accounted for using the equity method	6(8)	-	8,000
Price of acquisition of property, plant and equipment	6(35)	(65,783)	(13,037)
Proceeds from disposal of property, plant and equipment	6(9)	12,898	7,476
Increase in advance receipt for sale of land and equity (listed as liabilities directly associated with non-current assets held for sale)	6(13)	-	145,200
Proceeds from disposal of non-current assets held for sale	6(13)	394,518	-
Price of acquisition of intangible assets		(50,430)	(31,428)
Decrease in other financial assets		-	136,770
Increase in net cash of disposal of subsidiaries	6(35)	463,989	-
Increase in other non-current assets		(3,654)	(35,811)
Increase in prepayments for equipment (listed in other non-current assets)	6(35)	(104,341)	(212,590)
Net cash inflow (outflow) from investing activities		<u>584,773</u>	<u>(1,383,604)</u>
<u>Cash flows from financing activities</u>			
Increase (decrease) in short-term borrowings	6(36)	153,017	(44,000)
Increase in long-term notes payable	6(36)	200,000	-
Long-term borrowings taking place for current period	6(36)	621,000	1,960,000
Repayment of long-term borrowings for current period	6(36)	(1,051,460)	(2,707,940)
Decrease in other non-current liabilities		(1,592)	(18,429)
Repayment of principal of lease liabilities	6(10)(36)	(81,000)	(66,175)
Cost of repurchase of treasury shares		-	(80,266)
Cash dividends distributed by subsidiaries	4(3)	-	(34,829)
Cash dividends distributed	6(23)	(231,776)	-
Changes in non-controlling interests	6(33)	(777)	(62,380)
Net cash outflow from financing activities		<u>(392,588)</u>	<u>(1,054,019)</u>
Effects of exchange rate changes on the balance of cash held in foreign currencies		(54,908)	61,896
Reclassified to cash and cash equivalents of non-current assets held for sale	6(13)	-	(3,977)
Increase (decrease) in cash and cash equivalents for current period		370,687	(3,372,185)
Cash and cash equivalents, beginning of period		<u>3,327,127</u>	<u>6,699,312</u>
Cash and cash equivalents, end of period		<u>\$ 3,697,814</u>	<u>\$ 3,327,127</u>

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

Chairman: Wong, Ming-Sen

Manager: Wong, Ming-Sen

Accounting Manager: Pi-yin Yang

Appendix V

CMC Magnetics Corporation

Comparison Table on Provisions of the "Procedures for Acquisition and Disposal of Assets" before and after the Amendment

Before Amendment	After Amendment	Description
<p>Article 12: Processes to handle acquisition or disposal of derivative products</p> <p>I. Transaction Principles and Policies (Omitted)</p> <p>(III) Division of powers and responsibilities</p> <p>1. Trader</p> <p>(1) Execute trading in accordance with the powers set out in the management procedure for job authorization and established strategy. When there is a material change in the financial market and the current strategy is judged by the trader as no longer applicable, an assessment report should be submitted at any time, the strategy should be reformulated and approved by the general manager as the basis for transactions.</p> <p>(2) An evaluation shall be carried out monthly and the evaluation report is presented to the general manager.</p> <p>(Omitted)</p>	<p>Article 12: Processes to handle acquisition or disposal of derivative products</p> <p>I. Transaction Principles and Policies (Omitted)</p> <p>(III) Division of powers and responsibilities</p> <p>1. <u>Finance Division</u></p> <p><u>Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.</u></p> <p>(1) Trader</p> <p>A: Execute trading in accordance with the powers set out in the management procedure for job authorization and established strategy. When there is a material change in the financial market and the current strategy is judged by the trader as no longer applicable, an assessment report should be submitted at any time, the strategy should be reformulated and approved by the general manager as the basis for transactions.</p> <p>B: The evaluation shall be carried out monthly, and the evaluation report shall be presented to the general manager.</p> <p>(2) <u>Confirming personnel</u></p> <p><u>A. Conduct oral confirmation with the confirmation personnel of the counterparty based on the trading record of the trader, issue the cash requisition note/receipt note based on the confirmation content, send a copy to the trader and then submit it to the delivery personnel for</u></p>	<p>Work in accordance with Articles 19 and 20 of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and in cooperation with the actual operation.</p>

	<p><u>the telling operation in line with the approval power.</u></p> <p><u>B. Conduct written confirmation based on the seal of confirmation of financial transaction.</u></p> <p>(3)<u>Delivery personnel</u> <u>Check the payment voucher of trading unit with the delivery personnel of trading object based on the cash requisition note/receipt note submitted by the confirmation personnel for approval, arrange the allocation of funds, and make payment (collection) on the delivery date.</u></p> <p>(Omitted)</p>	
--	---	--

Appendix VI

CMC Magnetics Corporation Comparison between Original and Amendments to Rules for Election of Directors

Before Amendment	After Amendment	Statement on Amendment
<p><u>Article 2-1:</u> The independent directors and non-independent directors shall be elected separately based on the number of votes they receive respectively.</p>	<p><u>Article 3:</u> The independent directors and non-independent directors shall be elected separately based on the number of votes they receive respectively.</p>	<p>Article numbers are adjusted in line with the deletion of Article 6.</p>
<p><u>Article 3:</u> The Shareholders' Meeting of the Company shall elect persons with the capacity for behavior to serve as the directors based on the number of directors it specifies in accordance with the quotas defined by the Articles of Association, and those winning bigger numbers of voting rights represented by the ballots shall be elected as the directors. If two or more persons win the same voting rights in excess of the stipulated quotas, the persons winning the same rights shall draw lots to make the decision, and the Chairman shall draw the lot on behalf of a person absent from the meeting.</p>	<p><u>Article 4:</u> The Shareholders' Meeting of the Company shall elect persons with the capacity for behavior to serve as the directors based on the number of directors it specifies in accordance with the quotas defined by the Articles of Association, and those winning bigger numbers of voting rights represented by the ballots shall be elected in turn. If two or more persons win the same voting rights in excess of the stipulated quotas, the persons winning the same rights shall draw lots to make the decision, and the Chairman shall draw the lot on behalf of a person absent from the meeting.</p>	<p>Article numbers are adjusted in line with the deletion of Article 6. The text is slightly modified.</p>
<p><u>Article 4:</u> When the election process starts, the chairperson shall appoint a certain number of ballot inspectors and counters to perform the respective duties.</p>	<p><u>Article 5:</u> Before the election process starts, the chairperson shall appoint a certain number of ballot inspectors and counters to perform the respective duties. The Board of Directors or competent convener shall set up a ballot box, which shall be examined in public by the supervisor.</p>	<p>Article numbers are adjusted in line with the deletion of Article 6. The wording of this article is adjusted to satisfy legal provisions.</p>

<p>Article 5: The Board shall prepare ballots in the same number as those of the directors that shall be elected, indicate their weights and distribute the ballots to the shareholders who attend the Shareholders' Meeting.</p>	<p>Article 6: The Board of Directors or competent convener shall prepare separate ballots for Directors in numbers corresponding to the Directors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the shareholders' meeting.</p>	<p>Article numbers are adjusted in line with the deletion of Article 6. The wording of this article is adjusted to satisfy legal provisions.</p>
---	---	--

Before amendment	After amendment	Statement on Amendment
<p>Article 6: Where a candidate is a shareholder, the person casting the vote shall specify the account name and the shareholder number of the candidate on the ballot in the column entitled "Candidate". If the candidate is not a shareholder, the person casting the vote shall specify the name and ID number of the candidate in the said column. Provided, however, if the candidate is a government or corporate shareholder, the person casting the vote shall specify the name of the government entity or corporate shareholder together with the name of the representative of the government entity or corporate shareholder; when there are multiple representatives, the names of all representatives shall be listed.</p>	<p>This article has been deleted.</p>	<p>This article has been deleted in line with the Directive Letter No. 1080311451 dated April 25, 2019 from the FSC, which states that the nomination system shall be adopted for the election of directors, thus rendering the originally required information unnecessary.</p>

<p>Article 7: A ballot is invalid under any of the following circumstances:</p> <ol style="list-style-type: none"> 1. Any ballot cast in violation of these Guidelines. 2. Blank ballots which are cast into the ballot box. 3. The writing is unclear and indecipherable or has been altered. 4. Where the candidate voted for is a shareholder of the Company, such candidate's account name and shareholder account number filled in in the ballot is inconsistent with that on the shareholder registry. Where the candidate voted for is not a shareholder of the Company, such candidate's name or ID number is verified to be incorrect. 5. Texts other than the name and shareholder account number of the candidate, or names of the government agency, corporate shareholder and its representative or ID number of the candidate, is included on the ballot. 6. The name of the candidate is the same as that of another shareholder, and the shareholder number of the ID number of the candidate was not filled to identify the candidate. 7. Any ballot cast with the names of two or more candidates. 	<p>Article 7: A ballot is invalid under any of the following circumstances:</p> <ol style="list-style-type: none"> 1. Any ballot cast in violation of these Guidelines. 2. A blank ballot is placed in the ballot box. 3. The writing is unclear and indecipherable or has been altered. 4. The candidate whose name is entered in the ballot does not conform to the director candidate list. 5. Other words or marks are entered in addition to the candidate's name and the number of voting rights allotted. 	<p>Paragraphs 4 and 5 have been adjusted, and Paragraphs 6 and 7 have been deleted in line with the Directive Letter No. 1080311451 dated April 25, 2019 from the FSC.</p>
---	---	--

Appendix VII

CMC Magnetics Corporation

Resumes of Candidates for Directors and Independent Directors

Category	Name of Candidate	Academic Background	Experiences	Position	Shareholding (Unit: Share)
Director	WONG, MING-SEN	Agricultural Engineering Department of National Taiwan University	Chairman of CMC Magnetics Corporation	Chairman of CMC Magnetics Corporation Chairmen/Directors of some subsidiaries of CMC Magnetics Corporation Director of Legal Representative of CHUNG HSIN ELECTRIC & MACHINERY MANUFACTURING CORPORATION. Director of Legal Representative of Chateau International Development Co., Ltd.	91,978,038
Director	YANG, YA-HSIU	Commercial Department of National Taiwan University	Executive Vice General Manager of CMC Magnetics Corporation	Executive Vice General Manager of CMC Magnetics Corporation Chairman of CMC Magnetics Corporation Directors of some subsidiaries of CMC Magnetics Corporation	9,612,762
Director	KUO, JUNEE-HUEY	Department of Accounting Soochow University	Director of CMC Magnetic Co., Ltd. General Manager of Taiwan Power Company	Director of CMC Magnetic Co., Ltd. Director of Legal Representative of China Petrochemical Development Corporation	55,471
Director	TSAI WONG, YA-LI	National Tainan Girls' Senior High School	Director of CMC Magnetic Co., Ltd.	Director of CMC Magnetic Co., Ltd.	1,394,974
Director	TSENG, YI-AN	Department of Information Engineering, Chun Yuan Christian University	Director of CMC Magnetic Co., Ltd.	Director of CMC Magnetic Co., Ltd.	1,132,206
Director	TSAI, TSUNG-HAN	Department of Chemistry, University of California, Berkeley School of Dental Medicine, TUFTS University	Director of CMC Magnetic Co., Ltd.	Director of CMC Magnetic Co., Ltd.	1,531,201
Independent Director	SHIAU, FUNG-SHYUNG	Ph.D. in economics conferred by Chinese Culture University Master's degree in economics conferred by Yale University	President of Business School of Tamkang University Vice Chairman of BES ENGINEERING CORPORATION Vice Chairperson, Council for Economic Planning And Development, Executive Yuan Independent Director of BES ENGINEERING CORPORATION	Independent Director of CMC Magnetics Corporation Independent Director of Eastek Independent Director of Wayi International Digital Entertainment Co., Ltd. Independent Director of Transtouch Technology Supervisor of China City Honorary Professor, Department of Finance, Tamkang University	0

Independent Director	WU, CHENG-HSIU	Passed Higher Examination for Lawyers Passed special examination for judicial officers	Executive Lawyer of Taipei Bar Association and President of Ming De Law Office Supervisor of the 19th Board of Supervisors of Taipei Bar Association Legal advisor to dozens of companies, including Capital Motors, Inc., Hung Sheng Construction Co., Ltd., and Huang Xiang Construction Independent Director of CMC Magnetics Corporation	Independent Director of CMC Magnetics Corporation Independent Director of DELTAMAC (TAIWAN) Co., Ltd. Independent Director of Transtouch Technology	0
Independent Director	LEE, MING-YEN	Finance & Legal Science Major at Department of Law in Fu Jen Catholic University	Special Assistant to Chairman of Premier Capital Management Corp. Independent Director of CMC Magnetics Corporation	Independent Director of CMC Magnetics Corporation Special Assistant to Chairman of Premier Capital Management Corp. Director of Sunriser Medical Co., Ltd. Supervisor of Premier Venture Capital Corp.	0

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

Considering Mr. Shiau, Fung-Shyung has financial expertise and is familiar with relevant laws and regulations, which will obviously benefit the Company's operation, having him perform his duties as an independent director enables him to leverage his expertise and to provide his professional advice to the Board of Directors.

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

Appendix VIII

CMC Magnetics Corporation

Procedures for Acquisition or Disposal of Assets

Adopted at the Shareholders' Meeting on June 17, 2010

Adopted at the Shareholders' Meeting on June 15, 2012

Adopted at the Shareholders' Meeting on June 12, 2014

Adopted at the Shareholders' Meeting on June 02, 2015

Adopted at the Shareholders' Meeting on June 16, 2017

Adopted at the Shareholders' Meeting on June 05, 2019

Article 1: Legal Basis

The Procedures are adopted in accordance with the provisions of Article 36-1 of the Securities and Exchange Act (the Securities Act) and the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".

Article 2: Purpose

- I. Obtain necessary assets at an appropriate price to assure the investment and conduct information disclosure.
- II. Define the procedure for acquisition and disposal of assets to avoid the waste and drainage of assets.

Article 3: Scope of Assets

- I. Securities: Include stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, asset-backed securities, and other investments.
- II. Property (including land, building and construction, property held for investment, and inventory of construction) and equipment.
- III. Membership Certificate.
- IV. Intangible assets: Including patents, copyrights, trademarks, franchise rights, and other intangible assets.
- V. Right-of-use assets
- VI. Claims of financial institutions (including accounts receivable, bill discounts, loans, and receivables on demand)
- VII. Derivatives.
- VIII. Assets acquired or disposed of through merger, demerger, acquisition, or share transfer in accordance with the law.
- IX. Other important assets.

Article 4: Terms & Definitions

- I. The term "Derivative Products" means forward contracts, options, futures, leverage contracts, or swaps, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests, and the hybrid contracts consisting of the above products. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service

- contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
- II. Assets acquired or disposed of through mergers, demergers, acquisitions, or transfers of shares in accordance with the law: refer to assets acquired or disposed of through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institutions Merger Act and other acts, or transfer of shares from another company through the issuance of new shares of its own as the consideration ("Share Transfer") under Article 156-3 of the Company Act.
 - III. Related parties and subsidiaries: As used in these Procedures mean those parties defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
 - IV. The term "professional appraisal" as used in these procedures, means a certified appraiser or a company in the business of appraising real property or equipment.
 - V. "Date of occurrence": It means the date of contract signing, date of payment, date of fiduciary transaction, delivery date, dates of boards of directors' resolutions, or other dates that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier. However, with investments that require the approval of the competent authority, the earliest of the above dates or the date of receipt of approval by the competent authority shall apply.
 - VI. Investments in Mainland: Means investments made in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area by the Investment Commission of the Ministry of Economic Affairs.
 - VII. "Within one year" means that the disclosed part will not be included again one year before the occurrence date of the recent transaction as the base.
 - VIII. "Latest financial statement" refers to the disclosed financial statement that is checked or reviewed by the accountant before the Company's acquisition or disposal of assets.

Article 5: Professional appraisers and their appraisal officers, certified public accountants, attorneys, and securities underwriters, who provide the Company with appraisal reports or opinions shall meet the following requirements:

- I. They have not previously received a final and non-appealable sentence of imprisonment for one year or more for a violation of Regulations Governing the Acquisition and Disposal of Assets by Public Companies, the Company Act, Banking Act, Insurance Act, Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery, or occupational crime. However, this provision does not apply if three years have passed since the completion of the sentence, expiration of the term of probation, or grant of a pardon.

- II. They shall not be a related party or de facto related party of any party to the transaction.
- III. If the Company is required to obtain appraisal reports from two or more professional appraisers, such professional appraisers or appraisal officers shall not be related parties or de facto related parties of each other.

The professionals referred to in the preceding paragraph shall comply with the following provisions when preparing and issuing an appraisal report or opinion letter:

- I. Prior to accepting an assignment, they shall carefully evaluate their own professional capabilities, practice experience, and independence.
- II. When working on an assignment, they shall adopt and implement adequate operating procedures in formulating a conclusion and use the conclusion as the basis for issuing the report or opinion letter. The procedures implemented, data collected, and conclusion reached shall be fully and accurately recorded in the working papers.
- III. They shall conduct an item-by-item evaluation on the completeness, accuracy, and reasonableness of the sources of data, parameters, and information used as the basis of the appraisal report or opinion letter.
- IV. They shall issue a statement attesting to the professional competence and independence of the personnel who are involved in the preparation and issuance of the report or opinion letter, and that they have evaluated and found that the information used is reasonable, accurate, and in compliance with applicable laws and regulations.

Article 6: Acquisition of non-business use real property and right-of-use assets as well as securities quota

- I. The assets acquired by the Company under this article and their quotas are determined as follows:
 - (I) The total amount of non-business use real property and right-of-use assets shall be no higher than twenty percent of the net value.
 - (II) The total amount of securities acquired by the Company shall not exceed the net value of the Company in the current period and the limit on the amount of securities acquired by the Company shall be no higher than 30% of the net value of the Company in the current period. The net value in the current period shall be decided in accordance with the latest financial statement audited by a certified public accountant.
- II. The limit of assets under this article acquired by a subsidiary of the Company shall be subject to the limit if a limit is already fixed for the subsidiary or, if there is no such limit, the following provisions shall apply:
 - (I) The total amount of non-business use real property and right-of-use assets acquired by a subsidiary shall be no higher than twenty percent of its net value.

- (II) The total amount of securities acquired by the subsidiary shall not exceed the net value of the Company in the current period and the limit on the amount of securities acquired by the Company shall be no higher than 30% of the net value of the subsidiary in the current period. However, if the subsidiary is a professional investment company, its total assets shall not exceed 1.5 times the net value of the subsidiary, and the individual securities it acquires shall be no higher than its net value in the current period. The net value in the current period shall be decided in accordance with the latest financial statement audited by a certified public accountant.

Article 7: Operating procedures for acquisition or disposal of property, equipment, or right-of-use assets thereof

I. Appraisal and Operational Procedures

The Company obtains or disposes of real estate, equipment, or its right-of-use assets in accordance with the internal control system of fixed assets recycling procedures.

II. Procedures for Deciding Trading Conditions and Authorization Amount

(I) When acquiring or disposing of property or its right-of-use asset, the Company shall refer to the announced present value, evaluation value, actual transaction or leasing prices of the nearby property, and other factors, and resolve transaction terms and transaction prices. Then, the Company shall complete an analysis report, submit it to the General Manager and the Chairman for approval, and implement it only after the Board of Directors makes a resolution. Moreover, it shall be approved level by level according to the authorization management procedure of the Company.

(II) When acquiring or disposing of equipment or its right-of-use asset, the Company shall select inquiry, comparative price, bargaining, or tendering method. Moreover, it shall be approved level by level according to the authorization management procedure of the Company.

III. Implementation Entity

In acquiring or disposing of real estate, equipment, or right-of-use assets thereof, after the transaction is approved in accordance with the approval method as in the preceding paragraph, the transaction shall be carried out by the units that will use and manage the said asset.

IV. Evaluation Reports of Real Property, Equipment, or Right-of-use Assets thereof

In the event of the Company's acquisition or disposal of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more, except for the transactions with domestic government agencies, engaging

others to build on their own lands, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof for business use, the Company shall obtain an appraisal report from a professional appraiser prior to the Date of Occurrence and shall comply with the following provisions:

- (I) In the event that, due to special circumstances, the transaction price should refer to a limited price, a specified price, or a special price, the transaction shall be adopted at the Board of Directors' meeting, and the same procedure shall apply to subsequent changes to the terms and conditions of the transaction.
- (II) Where the transaction amount is more than NT\$ 1 billion, appraisals from two or more professional appraisers shall be obtained.
- (III) 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 certified public accountant 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 (abbreviated as ARDF hereafter) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
 - 1: Where the discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.
 - 2: Where the discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.
- (IV) The date of the report issued by the professional valuer and the date of the establishment of the contract shall not exceed 3 months. However, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, the original professional appraiser may still issue an opinion.
- (V) Court documents can be substituted for reports or opinions issued by a CPA or certified appraiser if the assets are acquired or disposed of through court auction.

Article 8: Procedures for Acquisition or Disposal of Securities:

I. Appraisal and Operational Procedures

The Company's acquisition or disposal of securities shall be conducted in accordance with the Company's internal control system investment reversed.

II. Procedures for Deciding Trading Conditions and Authorization Amount

- (I) Securities traded in a securities trading market or a securities firm's business premises shall be decided by the responsible unit according

to the market conditions and the amount shall be approved level by level in accordance with the management procedure for position authorization of the Company. A monthly report on unrealized profit or loss from securities shall be prepared for the decision-maker's reference.

- (II) When trading securities not traded at a trading market or a securities firm's business premises, the Company shall check the most recent financial statements of the target company verified, assured, or reviewed by the accountant to serve as the reference for the transaction price and consider its net value per share, profitability and future development potential, and the amount shall be approved level by level in accordance with the management procedure for position authorization of the Company. A regular report on unrealized profit or loss from securities shall be prepared to assess its investment income.

III. Implementation Entity

When the Company acquires or disposes of securities, the handling entity shall be responsible for approval and placement of order after the transaction is submitted for resolution in accordance with the preceding paragraph, and then the Finance Department shall implement the delivery.

IV. Obtain Expert Opinion

- (I) If the transaction amount is 20 percent of the Company's paid-in capital or NT\$300 million or more when the Company acquires or disposes of securities, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. 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. However, this requirement does not apply to publicly-quoted prices of securities that have an active market, or where otherwise provided by the regulations.
- (II) Court documents can be substituted for reports or opinions issued by a CPA or certified appraiser if the assets are acquired or disposed of through court auction.

Article 9: Related Party Transactions

I. When a related party of the Company acquires or disposes of an asset and the transaction amount reaches 10% of the total assets of the Company, the Company shall obtain an appraisal report from a professional appraiser or CPA's opinion in accordance with the provision of the preceding paragraph, besides handling relevant resolution procedure according to Articles 7-10 and assessing the reasonableness of the transaction terms.

The calculation of the transaction amount mentioned in the preceding paragraph

shall be conducted in accordance with Article 10-1.

In acquiring or disposing of assets, the Company shall determine if the counterparty of the transaction is a related party and, in judging the relationship, in addition to legal formalities, the substance of the relationship shall also be considered.

II. Appraisal and Operational Procedures

When the Company acquires or disposes of any asset other than property or right-of-use asset thereof to or from a related party and the transaction amount reaches 20% of the paid-in capital or 10% of the total assets of the Company or exceeds NT\$300 million, the Company shall submit the following documents to the Audit Committee for approval by more than half of all members, submit it to the Board of Directors for approval before signing the transaction contract and paying the price, except for the trading of government bonds, trading of bonds with buyback or redemption options, or subscription or redemption of money market funds issued by domestic securities investment trust firms:

- (I) The purpose, necessity, and expected benefits of the acquisition or disposal of assets;
- (II) The reason for choosing a related party as the counterparty;
- (III) Documents used to assess whether the predefined transaction terms are reasonable in accordance with Subparagraphs (I) and (IV) of Paragraph III of this article, when the Company acquires property or right-of-use asset thereof from a related party;
- (IV) The date and price of original acquisition by the related party, counterparty, relation with the Company and the related party, and other affairs;
- (V) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction and reasonableness of the fund utilization;
- (VI) The appraisal report from a professional appraiser or a CPA's opinion obtained in accordance with the preceding paragraph;
- (VII) Restrictive covenants and other important stipulations associated with the transaction.

The transaction amount in the preceding paragraph shall be calculated in accordance with the provision of Subparagraph VII of Paragraph I of Article 14 unless the Company has submitted it to the Board of Directors for approval to avoid including it in part within one year before the occurrence date of the recent transaction in accordance with this operating procedure.

When the Company engages in the following transaction with a subsidiary or a subsidiary where the Company directly or indirectly holds 100% of the issued shares or total capital, the Board of Directors shall authorize the Chairman to decide the transaction to the extent of certain limit pursuant to Paragraph II of Article 7 and then report it to the most recent meeting of the Board of Directors for retroactive confirmation:

I. Acquisition or disposal of equipment for business purpose or right-of-use asset thereof;

II. Acquisition or disposal of property for business purpose or right-of-use asset thereof;

When submitting a transaction to the Board of Directors for discussion in accordance with Paragraph II, the Company shall fully consider the opinions of the Independent Directors. Where an Independent Director takes a negative opinion or reserves opinion, it shall be recorded in the meeting record of the Board of Directors. When the Company fails to obtain the approval from more than half of all members of the Audit Committee, the Company shall obtain the approval from more than two-thirds of all directors before implementing it and indicate the resolution of the Audit Committee in the meeting record of the Board of Directors.

The terms "all Audit Committee members" and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

III. The assessment of the reasonableness of transaction costs

(I) When acquiring property or right-of-use asset thereof from a related party, the Company shall employ the following method to assess the reasonableness of the transaction cost:

1. Based on the transaction price of related party plus necessary interest on funding and the cost payable by the buyer according to the law. The term "necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, however, that it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.

2. If a related party has used the subject asset to secure a loan from a financial institution, the cumulative loan amount actually extended by the financial institution shall be more than 70% of the total appraisal value of the subject asset given by the financial institution, and the loan term shall have exceeded one year. This shall not apply if the financial institution is a related party of one of the trading counterparties.

(II) Where land and structures are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.

(III) When acquiring or disposing of property or related parties thereof to a related party, the Company shall appraise the cost of the asset in accordance with the two preceding paragraphs, and request the CPA to review the transaction and express a concrete opinion;

(IV) When the appraisal results of the property or right-of-use asset thereof acquired by the Company from a related party based on Subparagraphs (I) and (II) of Paragraph III of this article are both lower than the transaction price, the transaction shall be handled in accordance with Subparagraph (V) of Paragraph III of 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:

1. Where the related party acquires the undeveloped land or leased land, it shall submit evidence to prove the compliance with one of the following conditions:

(1) Where undeveloped lands are evaluated in accordance with the preceding Article and where buildings are evaluated according to the related party's construction costs plus reasonable construction profit, the cumulative value exceeds the actual transaction price. The term "reasonable construction profit" shall be the average gross operating profit margin of the related party's construction division over the most recent three years, or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.

(2) Transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring lands, where the land area and the transaction terms are similar after the calculation of reasonable price discrepancies in floor or area in accordance with standard property sales or leasing market practices.

2. Where the Company acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of similar size by unrelated parties within the preceding year.

The term "transactions for the acquisition of neighboring land" in the preceding paragraph refers to the land on the same or adjacent block and within a distance of no more than 500 meters from the subject matter of the transaction or whose published value is close to that of the subject matter; the term "similar land area" refers to transactions by unrelated parties where the land area is not less than 50% of the land area of the transaction's subject matter. The term "within the preceding year" refers to the year preceding the date of the acquisition of the real property or right-of-use assets thereof.

(V) If the appraisal results of the property or right-of-use asset thereof acquired by the Company from a related party based on Subparagraphs (I), (II), and (IV) of Paragraph III of this Article are both lower than the transaction price, the following matters shall be

handled. If the Company has set aside a special reserve in accordance with the following regulations, the special reserve cannot be used until the assets purchased or leased at a high price have been recognized as loss from falling price or disposal or termination of the lease, or proper compensation or reinstatement, or there is other evidence to determine that there is no irrationality and the approval of the competent authority is obtained.

1. The Company shall set aside the special reserve in accordance with Paragraph I of Article 41 of the Securities Exchange Act in respect of the difference between the transaction price of the real estate or its right-of-use asset and the estimated cost, and shall not distribute or transfer capital to allotment. Where the Company uses the equity method to account for its investment in another company, then the special reserve required by law shall be set aside pro rata to the shareholding in accordance with Article 41-1 of the Securities and Exchange Act.
 2. The Audit Committee shall act in accordance with the provisions of Article 218 of the Company Act.
 3. The handling of the first two points shall be reported to the shareholders meeting, and the details of the transaction shall be disclosed in the annual report and the prospectus.
- (VI) If the Company obtains real estate or its right-to-use assets from related parties, any one of the following situations shall be handled in accordance with the relevant assessment and operating procedures in Paragraph II of this Article, and the provisions on the assessment of the reasonableness of transaction costs in Subparagraphs (I), (II) and (III) of Paragraph III of this Article shall not apply:
1. A related party acquires real estate or its right-to-use assets due to inheritance or bestowal.
 2. It has been more than five years since the related party contracted to obtain the real property or its right-to-use assets.
 3. The real property is acquired through the signing of a joint development contract with the related party, or contracting with a related party in the construction of real estate such as contracted construction with its own land or contracted construction on leased land.
 4. The right-to-use asset of real estate for operation is obtained between the Company and its subsidiaries, or between subsidiaries that directly or indirectly hold 100% of the issued shares or total capital.
- (VII) If the Company obtains real estate or its right-to-use asset from related parties and if there is other evidence showing that the transaction is

not in accordance with regular business practices, it shall also be handled in accordance with Subparagraph (V) of Paragraph III of this Article.

Article 10: Procedures for obtaining or disposing of intangible assets or their right-to-use assets or memberships

I. Appraisal and Operational Procedures

The Company shall obtain or dispose of intangible assets or their right-of-use assets or memberships in accordance with the internal control system of fixed assets recycling procedures.

II. Procedures for Deciding Trading Conditions and Authorization Amount

(I) Obtaining or disposing of memberships shall be approved at each management level according to the authorization rule; if the amount is more than NT\$5 million, the resolution of transaction conditions and transaction prices shall be made into analysis report with reference to the fair market price, which shall be presented to the chairperson for approval. If the amount is 20% of the paid-in capital or more than NT\$300 million, it must be submitted to the Board of Directors for approval before implementation.

(II) Obtaining or disposing of intangible assets or their right-to-use assets shall be approved at each management level according to the authorization rule; if the amount is more than NT\$50 million, the resolution of transaction conditions and transaction prices shall be made into analysis report with reference to the expert evaluation report or fair market price, which shall be presented to the chairperson for approval. If the amount is 20% of the paid-in capital or more than NT\$300 million, it must be submitted to the Board of Directors for approval before implementation.

III. Implementation Entity

When the Company obtains or disposes of intangible assets or their right-of-use assets or memberships, it shall be executed by the use department, the finance department, or the administrative department after it has been examined and approved according to the pre-existing authority.

IV. Expert evaluation report on intangible assets, right-of-use assets thereof, or memberships

If the amount for obtaining or disposing of intangible assets or their right-to-use assets or memberships is 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant (CPA) prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price except for the transactions with domestic government agencies. The CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.

Article 10-1: The transaction amount in Article 7, Article 8, Article 9, and Article 10 shall mean

the transaction amount of the year preceding the Date of Occurrence of this transaction, which shall be calculated according to Subparagraph (VII) of Paragraph I in Article 14. Items with appraisal reports from professional appraisers or the opinion of a certified public accountant in accordance with the procedures shall not be counted in.

Article 11: Procedures for obtaining or disposing of creditor's rights of financial institutions
In principle, the Company does not engage in the acquisition or disposal of creditor's rights of financial institutions. In the event that the Company intends to engage in transaction with acquisition or disposal of financial institution claims, the Company shall formulate its evaluation and operating procedures after reporting to and obtaining approval from the Board of Directors.

Article 12: Procedures for obtaining or disposing of derivative commodities

I. Transaction Principles and Policies

(I) Transaction type

Derivative commodities that could be traded by the Company refer to transaction contracts where the values are derived from assets, interest rate, exchange rate, index, or other benefits and other commodities, such as forward contracts, options, futures, swaps, and compound contracts combining the above commodities.

(II) Operating (hedging) strategies

1. Operating strategy of transaction: In order to strengthen the management of the assets and liabilities of the Company and improve the efficiency of capital use and hedging, its strategy is mainly based on financial hedging. A transaction other than hedging must be undertaken in accordance with Subparagraph (IV.B) of Paragraph III of this Article.

2. Hedging strategy of transaction: Operations of the Company are international, so it is necessary to use transactions of derivatives to avoid risks arising from the business operations of the Company.

(III) Division of powers and responsibilities

1. Trader

(1) Execute trading in accordance with the powers set out in the management procedure for job authorization and established strategy. When there is a material change in the financial market and the current strategy is judged by the trader as no longer applicable, an assessment report should be submitted at any time, the strategy should be reformulated and approved by the general manager as the basis for transactions.

(2) The evaluation shall be carried out monthly, and the evaluation report shall be presented to the general manager.

2. Audit department

Responsible for understanding the appropriateness of internal control in derivative commodity transactions and checking the compliance of the trading

department with the operating procedures, analyzing the transaction cycle, making an audit report, and submitting it to the Audit Committee for inspection before delivery at the end of the month after the completion of the audit project; in addition, if the internal auditors find serious irregularities or that the Company is at risk of heavy losses, they should immediately make a report and submit it for review, and inform the Audit Committee.

3. Performance evaluation

- (1) The basis for performance evaluation depends on the profit/loss resulting from the difference between the book cost of the Company and the derivative trading.
- (2) To fully control and express the evaluation risk of the transaction, the Company evaluates the profit and loss by employing the evaluation method of monthly statement.
- (3) Every month, the financial department shall provide the evaluation of the trading commodities to the senior executives as a reference for decision-making.

4. Determination of total contract amount and limit on maximum loss

(1) Total contract value:

A. For non-trading purposes:

- a. Trading with the purpose of avoiding foreign exchange risks: The total contract amount shall not exceed the total estimated import and export amount of the current year in which the transaction is due.
- b. Trading with the purpose of avoiding interest rate risk: The total contract amount shall not exceed the total liabilities.
- c. Trading with the purpose of avoiding commodity price risks required for operation: The total contract amount shall not exceed the total demand amount for the next twelve months.
- d. Trading with the purpose of avoiding exchange rate, interest rate, commodity price, and other risks caused by the project: The total contract amount shall not exceed the total project budget.

If there is any excess, it should be classified as for the purpose of trading.

B. For the purpose of trading: The total contract amount of the transaction is evaluated and adjusted annually, provided that it does not exceed the authorized transaction contract amount of US\$10 million as the upper limit, except for that approved by the Board of Directors under special circumstances.

(2) Setting of Maximum Loss

- A. For non-trading purposes: The upper limit of the loss of an individual contract is 15% of the maximum risk value of the contract; the upper limit of the losses of all contracts is 15% of the total maximum risk

value. If the upper limit of individual or all contract losses has been reached, it shall be reported to the general manager or above for a ruling to continue or stop trading.

- B. For the purpose of trading: A stop-loss point shall be established to avoid losses exceeding the above limit after the position is created. The stop-loss point for an individual contract shall not exceed 10% of the transaction contract amount. If the stop-loss point is reached, it shall be reported to the general manager or above for a ruling to continue or stop trading. The annual cumulative loss amount is capped at one million U.S. dollars.

II. Risk management measures

(I) Credit risk management: Transaction orders of the Company are all traded with internationally renowned and creditworthy financial institutions.

(II) Market risk management

1. Markets, where quotation information can be fully disclosed, shall be chosen.
2. The control of the confirmed transaction amount shall be handled in accordance with this processing procedure.

(III) Liquidity risk management: When trading commodities are selected, they are mainly based on high liquidity and large transaction volume (that is, they can be covered in the market at any time).

(IV) Operational risk management

1. Based on the principle of division of labor and mutual checks and balances.
2. Each operation shall be authorized and supervised by superior superintendents.

(V) Legal risk management

1. Any document signed with a financial institution shall be inspected by relevant business and specialized personnel prior to official signing.
2. Before any transaction is made, the commodities being traded and the regulations of the market must be fully understood.

III. Internal audit system

(I) The internal auditors shall periodically look into the appropriateness of the internal control over derivatives products, conduct a monthly audit of how faithfully derivatives products trading by the trading department adheres to these Procedures, and prepare an audit report. Where a material violation is found, the Audit Committee shall be informed in writing.

(II) The internal auditors shall file the auditing report and the implementing status of annual auditing plans of internal audits to the competent authority before the end of February of the coming year and shall also report the improvement situation for any abnormal affairs according to the provisions of the competent authority before the end of May of the coming year.

IV. Periodic evaluation method

- (I) The Board of Directors shall authorize senior executives to regularly supervise and evaluate whether the transactions in the derivatives are actually handled in accordance with the Company's trading procedures, and whether the risks assumed are within the scope of the allowable undertaking and the market price assessment report has abnormal circumstances (such as the holding position). When the loss has been exceeded, they shall report to the Board of Directors immediately and take the appropriate measures.
 - (II) The positions held by derivative commodity trading shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice every two weeks. Evaluation reports shall be submitted to senior management personnel authorized by the Board of Directors.
- V. Where the Company engages in derivative commodity trading, the Board of Directors shall supervise and manage such trading in accordance with the following principles.
- (I) The Board of Directors shall designate senior executives to pay attention to the supervision and control of derivative transaction risks at all times. The management principles are as follows:
 - 1. Periodically evaluate whether the risk management measures currently employed are appropriate and are faithfully conducted in accordance with the Regulations and these Procedures for engaging in derivatives trading formulated by the Company.
 - 2. Supervise the transaction and loss/benefit status, take necessary measures in response to irregular situations, and report to the Board of Directors immediately. The Board of Directors shall have independent directors present and express their opinions.
 - (II) The Board of Directors shall evaluate whether the performance of the derivative transactions is consistent with the Company's current operational strategies and whether the risks the Company bears are under the tolerable level.
 - (III) When the Company engages in the transaction of derivative commodities, it shall authorize the relevant personnel to handle the procedures in accordance with the procedures for dealing with the derivatives transactions, and shall report to the most recent board of directors afterwards.
 - (IV) In trading of derivative commodities, the Company shall draft verification documents, in which the types, amounts, losses/profits, approval date from the Board, and subparagraph (II) of Paragraph IV, Subparagraphs (I) and (II) of Paragraph V in this Article shall be included in details for verification.

Article 13: Procedures for handling merger, demerger, acquisition, or share transfer

I. Appraisal and Operational Procedures

- (I) When the Company conducts a merger, demerger, acquisition, or transfer of

shares, the Company shall engage a certified public accountant, attorney, or securities underwriter to settle on a timeline, and to form a project group to carry out the transaction. The Company shall, prior to convening the Board of Directors to resolve the relevant matters, engage a certified public accountant, an attorney, or an underwriter to provide an opinion on the reasonableness of the share exchange ratio, acquisition price or distribution of cash or other property to shareholders, and shall submit it to the Board of Directors for deliberation and resolution. 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 total capital, or in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100% of the respective subsidiaries' issued shares or total capital.

- (II) The Company participating in a merger, demerger, or acquisition shall prepare a public report to shareholders detailing important contractual content and relevant matters prior to the shareholders' meeting and include it along with the expert opinion referred to in Subparagraph (I) of Paragraph I in this Article when sending shareholders meeting invitation for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts the Company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. Where the shareholders' meeting of any one of the companies, participating in a merger, demerger, or acquisition, fails to convene or pass a resolution due to inadequate quorum, insufficient votes, or other legal restriction, or the proposal is vetoed by the shareholders meeting, the companies participating in the merger, demerger, or acquisition shall immediately make public statement on the reasons, the follow-up measures, and the preliminary date of the next shareholders' meeting.

II. Other matters to be noticed

- (I) Date of Board of Directors' meeting: Unless otherwise prescribed by law or the competent authority is notified in advance of extraordinary circumstances and grants consent, the Company shall convene the Board of Directors' meeting and shareholders' meeting on the same day to resolve matters relevant to the merger, demerger or acquisition. Unless otherwise prescribed by law or the competent authority is notified in advance of extraordinary circumstances and grants consent, the Company shall call a Board of Directors' meeting on the same day.
- (II) Complete written record: When participating in a merger, demerger, acquisition, or share transfer, the Company that is listed on an exchange or has its shares traded in a business establishment of a securities dealer shall prepare a full written record of the following information and retain it for 5 years for

reference:

1. Basic information of the personnel: Including the titles, names, and ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning of any merger, demerger, acquisition, or share transfer or the implementation of the plan prior to disclosure of such information.
 2. Dates of material events: include the dates of executing the letter of intent or memorandum of understanding, engaging a financial or legal advisor, executing the contract, and convening the Board of Director meeting.
 3. Material documents and minutes: Include documents for merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of Board of Directors' meetings.
- (III) Each and every person participating in or possessing knowledge of the plan for merger, demerger, acquisition, or share transfer shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to the public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or share transfer.
- (IV) Principle for formulation and change of share exchange ratio or acquisition price: The Company participating in merger, demerger, acquisition, or share transfer shall, prior to the Board of Directors meetings of both parties, engage a certified public accountant, an attorney, or an underwriter to provide an opinion on the reasonableness of the share exchange ratio, acquisition price or distribution of cash or other property to shareholders, and shall submit it to the Board of Directors. In principle, share exchange ratio or acquisition price shall not be changed for free, except for in one of the following circumstances:
1. Increase of cash capital, and issuance of convertible corporate bonds, stock grants, and issuance of corporate bonds with stock warrants, preferred stock with stock warrants, certificates of stock options, and other equity securities.
 2. An action, such as disposal of major assets, that affects the Company's financial operations.
 3. An event, such as major disasters or major evolution in technology, that affects shareholders' equity or the price of securities.
 4. An adjustment where any of the companies participating in the merger, demerger, acquisition, or share transfer buys back the treasury stocks in accordance with the laws.
 5. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or share transfer.
 6. Other conditions stipulated in the contract that may be amended and that have been publicly disclosed.
- (V) The contents of the contract: the contract of the merger, demerger, acquisition,

or share transfer company shall be subject to the following matters, in addition to the provisions of Article 317-1 of the Company Act and Article 22 of Business Mergers and Acquisitions Act.

1. Handling of breach of contract.
 2. Principles for handling equity-based securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or demerger.
 3. The amount and principles of the purchase of treasury stocks in accordance with the laws after the base date of the participating companies' calculation of the share exchange ratio.
 4. Procedures for handling the increase or decrease in the number of participating entities or companies.
 5. The estimated progress of the plan and estimated completion date.
 6. The scheduled date for convening the legally mandated shareholders' meeting and the relevant procedures if the plan is not completed within the scheduled time frame.
- (VI) When there is any change to the number of companies participating in 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 to further carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except where the number of participating companies is decreased and a participating company's shareholders meeting has resolved a decision authorizing the Board of Directors to alter the limits of authority. Such a participating company may be exempted from convening another shareholders meeting to resolve the matter anew.
- (VII) Where any of the companies participating in a merger, demerger, acquisition, or share transfer is not a public company, the Company shall sign an agreement with the non-public company. The agreement shall be handled according to Paragraph II of this Article: Subparagraph (I) - date of the Board of Directors' meeting; Subparagraph (III) - pre-emptive confidentiality commitment; and Subparagraph (VI) - changes in number of companies involved in merger, demerger, acquisition, or transfer of shares.
- (VIII) When participating in merger, demerger, acquisition, or share transfer, the company listed on the Stock Exchange or whose shares are traded on business premises of securities shall, within two days commencing from the date of the resolution adopted at the Board of Directors' meeting, report Items 1 and 2 of Subparagraph (II) of Paragraph II of this Article to the Financial Supervision Committee for future reference in the prescribed

format and via the information system on the Internet.

- (IX) In the event that any of the companies participating in the merger, demerger, acquisition, or share transfer is not a company listed on the Stock Exchange or whose shares are traded on business premises of securities, the company listed on the Stock Exchange or whose shares are traded on business premises of securities shall execute an agreement with such a company and comply with the regulations under Subparagraphs (II) and (VIII) of Paragraph II of this Article.

Article 14: Procedure for public disclosure of information

I. Regulatory announcements and declaration standards

- (I) Acquisition or disposal of real estate or its right-to-use assets from or to a related party, or acquisition or disposal of other assets other than real estate or its right-to-use assets from or to a related party where the transaction amount reaches 20 percent or more of the Company's paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more. provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements or subscription or redemption of domestic money market funds issued by securities investment trust enterprises.
- (II) Merger, demerger, acquisition, or share transfer.
- (III) Losses from derivative commodity trading reaching the limits on aggregate losses or losses on individual contracts set out in these Procedures.
- (IV) For acquisition or disposal of machines and machinery or their right-to-use assets which are for operating use, and the trading counterparty is not a related party, and the transaction amount reaches one of the following amounts:
 - 1. Where the paid-in capital is less than NT\$10 billion and the transaction amount reaches NT\$500 million or more.
 - 2. Where the paid-in capital reaches NT\$10 billion or more and the transaction amount reaches NT\$1 billion or more.
- (V) 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 trading object is not a related party, and the amount the Company expects to invest in the transaction is more than NT\$500 million.
- (VI) Where an asset transaction other than any of those referred to in the preceding five subparagraphs, disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20% or more of the Company's paid-in capital or NT\$300 million or more. Provided, this shall not apply to the following circumstances:
 - 1. Trading of civil bonds.

2. Trading of bonds under repurchase/resale conditions, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.

(VII) The aforesaid transaction amount shall be calculated in accordance with the following formula. "Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of this transaction. Items duly announced in accordance with these Procedures need not be counted toward the transaction amount.

1. The amount of any individual transaction.
2. The cumulative transaction amount of the acquisitions or disposals of the same type of assets with the same counterparty within the preceding year.
3. The cumulative transaction amount of real estate or its right-of-use asset acquisitions and disposals (cumulative acquisitions and disposals respectively) under the same development plan within the preceding year.
4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals respectively) of the same securities within the preceding year.

(VIII) The provisions on the calculation of 10 percent of total assets under these Procedures shall be prepared in the form of the financial report of the securities issuer.

Calculation of the amount of total assets in the most recent financial report or individual financial report stated under the Regulations.

In the event that the Company's share has no par value or has a par value other than NT\$10, the transaction amount as 20% of the Company's paid-in capital shall be calculated as 10% of the equity owned by the Company's parent company; NT\$20 billion of the equity owned by the Company's parent company shall be the threshold instead of NT\$10 billion of the paid-in capital as the transaction amount.

II. Time limit for handling announcements and filing

In acquiring or disposing of assets, when items that require public disclosure per Item 1 in this Article are found and the transaction amount has reached the standard that requires public disclosure, the Company shall proceed with public disclosure within 2 days of the time of the event according to the required format.

III. Procedures for announcement and filing

(I) The Company shall announce relevant information on a website designated by the competent authority.

(II) The Company shall enter the monthly reports on the status of derivative transactions engaged in up to the end of the preceding month by itself and the subsidiaries which are not domestic public companies in the prescribed format, by the 10th day of each month, onto the information filing website designated by the competent authority.

(III) 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 within 2 days and reported in their entirety.

(IV) Unless otherwise provided for by other laws, the Company engaging in the acquisition or disposal of assets shall retain the relevant contracts, meeting minutes, registry, appraisal report, and the opinion books by CPA, attorneys, and security underwriters at the Company for at least 5 years.

(V) Where any of the following circumstances occurs with respect to a transaction that the Company has already announced and filed in accordance with the preceding article, a public report of relevant information shall be made on the website designated by the competent authority within two days from the Date of Occurrence:

1. Changes, termination, or rescission of an executed contract relating to the original transaction.
2. The merger, demerger, acquisition, or share transfer is not completed by the scheduled date set forth in the contract.
3. Changes to the information originally announced and filed.

Article 15: The subsidiaries of the Company shall comply with the following provisions:

- I. The subsidiary shall also establish procedures for the Acquisition or Disposal of Assets in accordance with the provisions of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies and execute such Procedures.
- II. Information required to be publicly announced and reported on acquisitions or disposals of assets by the Company's subsidiary that is not itself a public company shall be reported by the Company.
- III. The filing standard regarding paid-in capital and total assets for the subsidiary shall be based on the paid-in capital and total assets of the Company.

Article 16: Penalties

In the event that any of the Company's employees dealing with acquisition and disposal of assets violates these Procedures, the employee shall be periodically evaluated in accordance with the personnel management measures and the employee handbook of the Company and shall be punished based on the seriousness of the violation.

Article 17: Implementation and revision

These Procedures for the Acquisition or Disposal of Assets and any amendment hereto shall be submitted for consent by more than half of the Audit Committee and submitted to the Board of Directors for resolution, then submitted to the Shareholders' Meeting for consent. In the event that matters are submitted to the Board of Directors for discussion according to the Procedures for the Acquisition or Disposal of Assets, the Board of Directors shall take each Independent Director's

opinion into full consideration. If an Independent Director objects to or expresses reservation about any matter, 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 paragraph 1 is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution by the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.

The terms "all members of the Audit Committee" and "all directors" in the Procedures shall be counted as the actual number of persons currently holding those positions.

Article 18: Supplementary Provisions

In the case that this Procedure is incomplete, handling shall be conducted in accordance with related laws.

Appendix IX

CMC Magnetics Corporation Rules for Election of Directors

Adopted at the shareholder meeting convened on June 2, 2015.

- Article 1: The Directors of the company shall be duly elected in accordance with the Rules specified herein.
- Article 2: The Company's directors shall be duly elected by means of registered cumulative voting. The name of the elector can be replaced by the attendance certificate number printed on the ballot. For the election of the Company's directors, each share has the same number of directors to be elected. One person may be elected in a centralized manner, or a number of people may be distributed.
- Article 2-1: The independent directors and non-independent directors shall be elected separately based on the number of votes they receive respectively.
- Article 3: The Company's directors shall be elected from persons with the active ability according to the quota of people specified by the Board of Directors in accordance with the Articles of Association of the Company, with those receiving ballots representing the highest numbers of voting rights deemed elected as directors according to their respective numbers of votes, and where any two or more persons receive the same number of votes, thus exceeding the specified number of Director's seats, the tied shall draw lots to determine the winner, with the chairperson drawing lots for any candidate not in attendance.
- Article 4: When the election process starts, the chairperson shall appoint a certain number of ballot inspectors and counters to perform the respective duties.
- Article 5: The Board shall prepare ballots in the same number as those of the directors that shall be elected, indicate their weights and distribute the ballots to the shareholders who attend the Shareholders' Meeting.
- Article 6: If the elected person is a shareholder, the account name and share account number of the elected person shall be indicated in the "Elected Person" column of the ballot. If the elected person is not a shareholder, the name and unified identity card number of the elected person shall be specified. In the event that the candidate is a government or a corporate shareholder, the elected person's name on the ballot shall be filled with the name of such government or corporate shareholder and simultaneously filled with the name of such government's or corporate shareholder's representative; when there are multiple representatives, the names of all representatives shall be listed.
- Article 7: A ballot is deemed void if any of the following circumstances occurs:
1. Any ballot cast in violation of the Rules.
 2. Any blank ballot cast into the ballot box.
 3. Any ballot with illegible writing rendering it unrecognizable, or any ballot with corrections.
 4. Where the candidate voted for is a shareholder of the Company, such candidate's account name and shareholder account number in the ballot are inconsistent with that on the shareholder registry. Where the candidate voted for is not a shareholder of the

Company, such candidate's name or ID number is verified to be incorrect.

5. Texts other than the name of the electee, shareholder account number, or government, legal person name or its representative name, and uniform number of identity card are included.
6. The name of the selected elector is the same as that of the other shareholders, and the shareholder number or the identity card is not filled in to identify the person.
7. Any ballot that is cast with the names of two or more candidates.

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

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

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

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

Appendix X

Articles of Association of CMC Magnetism Corporation

Section I General Provisions

Article 1: The Company is organized in accordance with the provisions of the Company Law, and is named as CMC MAGNETICS CORPORATION.

Article 2: The business to be operated by the Company is as follows:

- (I) C805030 Rubber Products Manufacturing.
- (II) C805050 Industrial Rubber Products Manufacturing.
- (III) CC01120 Data Storage Media Manufacturing and Duplicating.
- (IV) CC01030 Electric Appliance and Audiovisual Electric Products Manufacturing.
- (V) F118010 Wholesale of Information Software.
- (VI) F113050 Wholesale of Computing and Business Machinery Equipment.
- (VII) F213030 Retail Sale of Computers and Business Machinery Equipment.
- (VIII) F216010 Retail of Photographic Equipment.
- (IX) F218010 Retail of Information Software.
- (X) F601010 Intellectual Property Rights.
- (XI) I301010 Information Software Services.
- (XII) JE01010 Rental and Leasing.
- (XIII) J303010 Magazine and Periodical Publication.
- (XIV) J304010 Book Publishing.
- (XV) J401011 Film Production.
- (XVI) J402011 Film Distribution.
- (XVII) J602010 Performing Arts Activities.
- (XVIII) F102030 Tobacco and Alcohol Wholesale.
- (XIX) F203020 Tobacco and Alcohol Retail.
- (XX) F401010 International Trade.
- (XXI) H701010 Residence and Buildings Lease Construction and Development
- (XXII) H701020 Industrial Factory Buildings Lease Construction and Development
- (XXIII) H701040 Specialized Field Construction and Development.
- (XXIV) H701060 New County and Community Construction and Development.
- (XXV) H703100 Real Estate Rental and Leasing.
- (XXVI) F113020 Wholesale of Electrical Appliances.
- (XXVII) F213010 Retail of Electrical Appliances.
- (XXVIII) F113070 Wholesale of Telecommunications Equipment.
- (XXIX) F213060 Retail of Telecommunications Equipment.
- (XXX) F401171 Alcohol Drink Import.
- (XXXI) ZZ99999 In addition to the above-licensed businesses, the Company may operate any other businesses that are not prohibited or restricted by law.

Article 3: The headquarters of the Company is located in Taipei City. The Company may establish branches overseas as the Company may require upon resolution by the Board of Directors of the Company.

- Article 3-1: The Company's total amount of re-investment is not subject to 40% of the paid-in capital. The Board of Directors is authorized to make decisions regarding re-investment.
- Article 3-2: The Company provides external guarantees for its business needs, and its procedures are in accordance with the Company's Principle of Endorsement and Guarantees.
- Article 4: The Company's method of public disclosure is executed pursuant to the requirements of the securities regulatory authority.

Section II Shares

- Article 5: The total capital amount of the Company is forty-five billion New Taiwan Dollars (NT\$45,000,000,000), which is divided into four billion five hundred million (4,500,000,000) shares with a par value of ten New Taiwan Dollars (NT\$10) each and will be issued in installments by the Board of Directors.
- Article 6: The Company may issue shares without certificates, provided that such shares shall be registered with a central securities depository.
- Article 7: No change to the record in the shareholder register shall be made within sixty days (60) prior to an annual shareholder meeting, nor within thirty days (30) prior to an extraordinary shareholders meeting, or within 5 days prior to the base date of the Company's decision to distribute dividends, bonuses or other benefits.
- Article 8: The Company's shares shall be handled in accordance with the "Regulations Governing the Administration of Shareholder Service of Public Companies" prescribed by the Securities and Futures Management Committee of the Ministry of Finance except where otherwise provided by law, regulation, or guideline.

Section III Shareholders' Meeting

- Article 9: There are two types of shareholder meetings: annual meetings and extraordinary meetings. Annual meetings shall be convened by the Board of Directors annually within six (6) months after the end of each fiscal year. The latter may be duly convened according to relevant laws whenever the Company deems necessary.
- Article 10: A shareholder who is unable to attend the shareholders' meeting may authorize another person to attend as a proxy, a power of attorney issued by the Company shall be issued, specifying the scope of authorization, and entrusting a proxy to attend the shareholders' meeting shall be subject to the restrictions of Article 177 of the Company Act.
- Article 11: Except for the shares with restricted voting rights or without voting rights under the regulation, each share is entitled to one vote, for all shareholders of the Company.
- Article 12: Resolutions made at the shareholders' meetings shall be recorded as minutes of the meeting, in which the date, venue, name of the chairperson, method of resolution, and summary and results of meeting proceedings shall be recorded and signed or sealed by the chairperson of the meeting. The minutes shall be distributed to each shareholder within 20 days after the shareholders' meeting. After the Company publicly issues stocks, they shall be conducted by announcement. The minutes in the preceding paragraph shall be kept in the Company for future reference.
- Article 13: Except as otherwise provided by applicable law, the shareholders' resolutions shall be adopted upon the approval of a majority of the voting shares present at the meeting,

which is attended by holders of a majority of the total issued and outstanding shares of the Company.

Section IV Directors and Audit Committee

- Article 14: The Company shall have nine to eleven directors, who shall be elected from legally competent persons at the shareholders' meeting and hold office for three years; re-elected directors may serve consecutive terms. The total amount of registered shares held by all directors shall not be less than a certain amount of issued shares. Such amount shall be determined by the competent authority.
- Article 14-1: There shall be at least three independent directors among the number of directors to be elected referred to in the preceding paragraph, and there should be at least three independent directors, who shall represent at least one-fifth of the Board. The independent directors shall be elected at the shareholders' meeting from among a list of candidates. The restrictions on professional qualifications, share ownership, concurrent positions held, the manner of nomination, the election of the independent directors, and other related matters shall comply with applicable laws and regulations prescribed by the competent authority.
- Article 15: The Board of Directors shall elect a chairman from among the directors by a majority vote at a meeting attended by over two-thirds of the directors. The chairman of the board represents the company externally and is internally the chairperson of the shareholders meeting and the Board of Directors.
- Article 16: The Board of Directors is formed by the chairman and its powers and authority are as follows:
- (I) Formulation of a business plan.
 - (II) Proposals of earnings allotment or loss coverage.
 - (III) Proposals regarding capital increase or reduction.
 - (IV) Approval of important regulations and contracts.
 - (V) Appointment and dismissal of a general manager.
 - (VI) Establishing or abolishing branches.
 - (VII) Approval of budgets and financial settlements;
 - (VIII) Other powers and duties conferred by the Company Act or by the resolution of shareholder meeting.
- Article 17: The Company can convene a board meeting at all times when an emergency occurs. The meeting of the Board of Directors shall be convened by delivery of a notice to each director in writing, via e-mail, or fax.
- Article 18: Decisions at the Board of Directors meeting shall be resolved by a majority vote in the meeting which is attended by Directors who represent a majority of the total number of Directors. A director may authorize in writing another director to be represented at the board meeting, provided that a power of attorney shall be issued each time stating the scope of authorization, and the director shall be appointed as a proxy for only one other director.
- Article 19: If the chairman of the Board is on leave or unable to exercise his powers and duties for any reason, its proxy shall be appointed pursuant to Article 208 of the Company Act.
- Article 20: The remuneration paid to the chairman and directors shall be determined by the Board of Directors based on the degree of their participation in and contributions to the business operations of the Company, as well as industry standards at home and abroad.

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

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

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

Section V Managers

Article 24: The Company may have a number of managers whose appointment, dismissal, and remuneration shall be governed by Article 29 of the Company Act.

Section VII Accounting

Article 25: The fiscal year of the Company shall begin on January 1 and end on December 31 of each year. At the end of the fiscal year, the accounts of the Company shall be closed.

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

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

Article 28: The earnings of the Company in the annual final accounts, if any, shall be first appropriated to pay taxes and offset accumulated losses before allocating 10% of the remaining earning to the legal reserve (not applicable where accumulated legal reserve has reached the amount required by law and regulations) and a special reserve pursuant to the applicable law and regulations. Any retained earnings available for distribution together with accumulated undistributed retained earnings may be proposed by the Board of Directors to appropriate and be resolved at the shareholders meeting. The Company's dividend policy is based on the consideration of the needs of capital expenditures and in line with the Company's long-term financial planning. The total dividend is not less than 10% of the distributable surplus for the current year, provided that no allocation shall be made if the distributable surplus is less than 1% of the paid-in capital. When the dividend is distributed, cash dividend shall be no less than 10% of the total dividend.

Section VII Supplementary Provisions

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

Article 30: The Articles of Association is hereby incorporated on November 4, 1978. Amended thereafter on June 18, 1981. The second amendment was made on November 25, 1982. The third amendment was made on April 15, 1984. The fourth amendment was made on January 29, 1985. The fifth amendment was made on April 4, 1985. The sixth amendment was made on August 28, 1985. The seventh amendment was made on

November 21, 1985. The eighth amendment was made on December 26, 1985. The ninth amendment was made on June 26, 1986. The tenth amendment was made on April 12, 1987. The eleventh amendment was made on June 20, 1987. The twelfth amendment was made on October 6, 1987. The thirteenth amendment was made on June 14, 1988. The fourteenth amendment was made on October 27, 1988. The fifteenth amendment was made on April 15, 1989. The sixteenth amendment was made on April 7, 1990. The seventeenth amendment was made on September 1, 1990. The eighteenth amendment was made on May 11, 1991. The nineteenth amendment was made on April 11, 1992. The twentieth amendment was made on September 19, 1992. The twenty-first amendment was made on April 22, 1993. The twenty-second amendment was made on September 18, 1993. The twenty-third amendment was made on April 23, 1994. The twenty-fourth amendment was made on April 29, 1995. The twenty-fifth amendment was made on April 27, 1996. The twenty-sixth amendment was made on May 13, 1997. The twenty-seventh amendment was made on April 18, 1998. The twenty-eighth amendment was made on April 30, 1999. The twenty-ninth amendment was made on April 29, 2000. The thirtieth amendment was made on May 4, 2001. The thirty-first amendment was made on May 4, 2001. The thirty-second amendment was made on May 17, 2002. The thirty-third amendment was made on June 15, 2004. The thirty-fourth amendment was made on June 14, 2005. The thirty-fifth amendment was made on June 15, 2006. The thirty-sixth amendment was made on June 13, 2007. The thirty-seventh amendment was made on June 16, 2009. The thirty-eighth amendment was made on June 17, 2010. The thirty-ninth amendment was made on June 22, 2011. The fortieth amendment was made on June 15, 2012. The forty-first amendment was made on June 12, 2014. The forty-second amendment was made on June 2, 2015. The forty-third amendment was made on June 7, 2016. The forty-fourth amendment was made on June 16, 2020.

CMC Magnetics Corporation

Chairman: WONG, MING-SEN

Appendix XI

CMC Magnetics Corporation Rules and Procedures of the Shareholders' Meeting

- Article 1: Unless otherwise required by the law, the shareholders' meeting of the Company shall be conducted in accordance with the Rules.
- Article 2: The Company shall, in the notice of the shareholders' meeting, specify the time and place for shareholder registration, and other important matters.
Registration for shareholders referred to in the preceding paragraph shall begin at least thirty minutes before the meeting. There shall be clear signs and sufficient and adequate staff at the registration desk.
Shareholders and their proxies (collectively, "shareholders") shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. Solicitors soliciting proxy forms shall also bring identification documents for verification.
The Company shall provide an attendance register for shareholders to sign in, or require the attending shareholders to submit their sign-in cards in lieu of signing the register.
The Company shall provide the shareholders present with an agenda handbook, an annual report, an attendance card, a speaker's slip, a voting card, and other meeting materials. In the event that an election of directors is held, a ballot shall also be provided to them.
When the government or a legal person is a shareholder, the shareholder may appoint more than one representative to attend a shareholders' meeting. If a juristic person is entrusted to attend the shareholders' meeting, such juristic person may only appoint one person to be its representative at the meeting.
- Article 3: The participation and voting by shareholders shall be duly calculated based on the number of shares they hold.
- Article 4: The shareholders' meeting shall be held in the city or county where the Company is located or at any other place that is convenient for the shareholders to attend and appropriate to convene such meeting, and shall commence at a time no earlier than 9:00 AM and no later than 3:00 PM.
- Article 5: The chairmanship of the shareholders' meeting shall be handled in accordance with Article 182-1 of the Company Act.
The terms of office shall more than 6 months and the person who shall be a managing director or director familiar with the operation of the company as if the aforementioned chairman be a corporate director. The same requirements shall apply if the chairperson for the meeting is a director's representative of a juristic person.
- Article 6: The Company may designate legal counsels, certified public accountants, and other relevant personnel to attend and observe the shareholders' meeting.
Staff at the shareholders' meetings shall wear ID badges or arm badges.
- Article 7: The Company shall establish uninterrupted audio and video recordings of the entire process of shareholder check-in, meeting proceedings, and voting and ballot counting.
The recorded materials of the preceding paragraph shall be retained for at least 1 year. In the event of a lawsuit regarding the Directors election under Article 189 of the Company

Law, those ballots shall be archived until the conclusion of the lawsuit.

- Article 8: The chairperson shall call the meeting to order at the time scheduled for the meeting. In the event that the meeting is attended by shareholders representing less than half of the total issued shares, the chairperson may announce a postponement of the meeting, however, there may not be more than two postponements in total and the total time accumulated in the postponement(s) shall not exceed one hour. In the event that the meeting is attended by shareholders not up to the specified quorum but representing more than one-third of the total issued shares after two postponements, a tentative resolution may be passed in accordance with Article 175 of the Company Act. In the event that the total number of shares represented by attending shareholders reaches a majority of the total issued shares before that same shareholder meeting is adjourned, the chairperson may bring the tentative resolution(s) so adopted into the shareholder meeting anew to be duly resolved in accordance with Article 174 of the Company Act.
- Article 9: The agenda for the shareholders' meeting shall be set by the Board of Directors if such meeting is convened by the Board of Directors. Unless otherwise resolved by resolution at the meeting, the meeting shall be carried out in accordance with the scheduled agenda. The preceding paragraph shall apply mutatis mutandis to meetings convened by any person, other than the Board of Directors, with the authority to convene such meeting. The chairperson shall not announce adjournment of the meeting until the agenda in the two preceding paragraphs is completed (including occasional (extemporaneous) motions) unless duly resolved in the meeting. After the meeting is adjourned, the shareholders shall not elect another chairperson to resume such meeting at the same location or seek an alternative venue.
- Article 10: An attending shareholder shall issue and submit a floor note before speaking at the shareholder meeting. The floor note shall expressly describe the subject of his or her opinions and his or her shareholder account number (or the code of the participation certificate) so that the chairperson may fix the order of speaking. An attending shareholder who submits a slip of paper but does not speak at the meeting is deemed to have not spoken. In the event of any inconsistency between the contents of shareholder's speech and those recorded on the slip, the contents of shareholder's speech shall prevail. When an attending shareholder is speaking at the meeting, no other shareholder shall interrupt the speaking shareholder unless permitted by the chairperson and such speaking shareholder; the chairperson shall stop any such violations.
- Article 11: When discussing motions, the motions shall be discussed in the order listed in the agenda. If anyone violates procedures, the chairperson shall prevent the violator from speaking immediately. In addition to the proposals listed in the agenda, other proposals submitted by shareholders or amendments or alternatives to the original proposals shall be seconded by other shareholders, otherwise the proposal will not be established.
- Article 12: On the same issue, each shareholder shall not take the floor more than twice and a shareholder shall not speak more than three minutes for each round unless agreed upon by the chairperson. The chairperson may stop the speech of any shareholder that is in violation of the

preceding paragraph or exceeds the scope of the proposal.

- Article 13: In the event that a juristic person is entrusted to participate in a shareholder meeting, that juristic person may appoint only one representative to participate in the meeting.
In the event that a juristic (corporate) person shareholder appoints two or more representatives to participate in a shareholder meeting, only one representative may speak for the same issue.
- Article 14: After a shareholder speaks on the floor, the chairperson may answer either by himself or herself or through a designee.
- Article 15: Where the chairperson believes an issue has been discussed in the meeting up to the level for voting, the chairperson may announce discontinuance of the discussion process and bring that issue to a vote.
- Article 16: Except as otherwise provided under the Company Law, a resolution shall be adopted with the approval of more than one-half of the votes of the shareholders present. Relevant motions (including extemporary motion and the amendment to the contents of the original proposal) shall be passed on a one-agenda-by-one-agenda basis.
Method of attendance by proxy, besides abiding by the conditions stated in the Company Act, shall also follow the 'Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies' from the competent authority.
- Article 17: The person(s) supervising the casting of the ballots and the person(s) counting the ballots are designated by the chairperson, provided that the person(s) supervising the casting of the ballots shall be a shareholder. The recording procedure of issues of shareholder meetings shall be processing publicly in shareholder meetings and the results including statistical weights shall be reported on the spot and shall be recorded into the minutes of the meeting.
The election of directors and supervisors at a shareholders' meeting shall be held in accordance with the applicable election and appointment rules of CHAINTECH, and the voting results shall be announced on-site immediately, including the names of those elected as directors and supervisors and the numbers of votes with which they were elected.
- Article 18: During the process of the meeting, the chairperson may announce a recess at an appropriate time.
- Article 19: Except as otherwise provided under the Company Act and the Company's Articles of Association, a resolution shall be adopted with the approval of more than one-half of the votes of the shareholders present.
- Article 20: In the event that an amendment or a substitute comes out of the same issue, the chairperson shall fix the order of balloting in consolidation with the original issue. When one among them is duly resolved, other issue(s) is (are) deemed to have been vetoed and no voting process is required.
- Article 21: The chairperson may direct patrol personnel (or security personnel) to assist in maintaining the order of the meeting. Such patrol personnel (or security personnel) shall wear arm badges marked "Patrol Personnel" while assisting in maintaining the order of the meeting.
- Article 22: The Rules and any amendments thereafter shall become effective upon resolution at the shareholders' meeting.

Appendix XII

Shareholdings of CMC Magnetics Corporation

- Notes: (I) The rules are implemented pursuant to Article 26 of the Securities Exchange Act, the number of shares of the directors and supervisors of the public company, and rules for verification and implementation.
- (II) The Company's paid-in capital is NT\$11,588,812,000, with a total of 1,158,881,200 shares issued. Required minimum shares held by all directors: 40,000,000 shares.
- (III) The Company has elected 2 Independent Directors, and the share ownership figure calculated at the rates set in the preceding paragraph for all Directors other than Independent Directors shall be decreased to 80%. If the public company has established an Audit Committee in accordance with the law, the regulations that the number of shares held by the supervisor shall not be less than a certain ratio shall not apply. Therefore, the number of shares legally held by all directors of the Company is 32,000,000.
- (IV) As of the date of closing of transfer ownership for the shareholders meeting (April 20, 2021), the shareholding by all Directors and each of them is recorded in the shareholder register as follows:

Position	Account name	Shares Held	Percentage of Ownership
Chairman	WONG, MING-SEN	91,978,038	7.94%
Director	YANG, YA-HSIU	9,612,762	0.83%
Director	KUO, JUNEE-HUEY	55,471	0.00%
Director	TSAI WONG, YA-LI	1,394,974	0.12%
Director	TSENG, YI-AN	1,132,206	0.10%
Director	TSAI, TSUNG-HAN	1,531,201	0.13%
Director	YEH, MIN-CHENG	1,786,498	0.15%
Director	CHEN, HSIEN-TAI	3,710,497	0.32%
Independent Director	SHIAU, FUNG-	0	0.00%
Independent Director	WU, CHENG-HSIU	0	0.00%
Independent Director	LEE, MING-YEN	0	0.00%
Share Ownership of All Directors		111,201,647	9.59%