

Stock Code: 2634



# **Aerospace Industrial Development Corporation**

## **2021 Annual Shareholders' Meeting**

### **Meeting Handbook**

(Translated from Mandarin)

Date: 28 May 2021  
Location: AIDC Hsiang-Yuan Complex  
No. 176, Lane 20, Zhongzhen Road, Shalu District,  
Taichung City, Taiwan

*(The contents of this document has been translated from the original which was written in Mandarin and is for reference purposes only. In the event of any inconsistency between the English version and the Mandarin version, the Mandarin version shall take precedence.)*

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**Aerospace Industrial Development Corporation (AIDC)**  
**2021 Annual Shareholders' Meeting Procedure**

I. Meeting Commencement Announcement

II. Chairman's Address

III. Reports

IV. Ratifications

V. Discussions

VI. Election

VII. Additional Discussion

VIII. Extempore Motions

IX. Meeting Adjournment

# **Aerospace Industrial Development Corporation (AIDC)**

## **2021 Annual Shareholders' Meeting Agenda**

Time: 10:00 a.m., 28 May 2021 (Friday)

Place: AIDC Hsiang-Yuan Complex at No.176, Lane 20, Zhongzhen Road, Shalu District, Taichung City, Taiwan

- I. Meeting Commencement Announcement
- II. Chairman's Address
- III. Reports
  - (1) Business Report of 2020
  - (2) Audit Committee Review Report of 2020
  - (3) 2020 Compensation to Employees and Directors
- IV. Ratifications
  - (1) Ratification of the 2020 Business Report and Financial Statements
  - (2) Ratification of the Proposal for Earnings Distribution of 2020 Profits
- V. Discussions
  - (1) Amendments on the Company's Rules and Procedures of Shareholders' Meetings
  - (2) Amendments on the Company's Rules for Election of Directors
  - (3) Amendments on the Company's Articles of Incorporation
- VI. Election
  - (1) Election of the 9<sup>th</sup> Board of Directors
- VII. Additional Discussion
  - (1) Exemption of Non-competition Restrictions for the Directors
- VIII. Extempore Motions
- IX. Meeting Adjournment

## **Reports**

- Item 1: Business Report of 2020, as shown in Attachment I (Pages 9-13).
- Item 2: Audit Committee Review Report of 2020, as shown in Attachment II (Page 14).
- Item 3: Report on 2020 Compensation to Employees and Directors, as shown in Attachment III (Page 15).

## **Ratifications**

Item 1: Ratification of the 2020 Business Report and Financial Statements (Proposed by the Board of Directors)

Description: I. AIDC's 2020 Financial Statements (including Balance Sheets, Statements of Comprehensive Income, Statements of Changes in Equity, and Statements of Cash Flows) had been reviewed and audited by Mr. Done-Yuin Tseng and Ms. Lie-Dong Wu, CPAs of Deloitte & Touche.

II. Business Report of 2020, Auditors' Report, and aforementioned financial statements are shown in Attachments I and IV (Pages 9-13 and Pages 16-34).

Resolution:

Item 2: Ratification of the Proposal for Earnings Distribution of 2020 Profits (Proposed by the Board of Directors)

Description: I. The company's net profit after taxes for 2020 was \$395,857,358 NT dollars. Based on Article 28-1 "Reserve Allocation" of the Company's Articles of Incorporation, the company plans to distribute a cash dividend of \$0.2 NT dollars per share. The current distributable surplus is \$188,373,420 NT dollars, as shown in Attachment V (Page 35).

II. The distribution of cash dividend will be calculated to the nearest NT dollar. Residual amount, if any, less than one NT dollar will be transferred into and recognized as other income of the company.

Resolution:

## **Discussions**

Proposal 1: Discussion on the amendments of the Company's Rules and Procedures of Shareholders' Meeting (Proposed by the Board of Directors)

Description: I. The amendment is made according to the Company Act, with reference to the #1090009468 bulletin published by the Taiwan Stock Exchange, in which an example of holding a shareholders' meeting was cited.

II. The comparisons between the original and the amended provisions are shown in the Attachment VI (Pages 36-41).

Resolution:

Proposal 2: Discussion on the amendments of the Company's Rules for Election of Directors (Proposed by the Board of Directors)

I. The amendment is made according to the Company Act, with reference to the #1090009468 bulletin published by the Taiwan Stock Exchange, in which an example of procedures for the election of directors was cited.

II. The comparisons between the original and the amended provisions are shown in the Attachment VII (Pages 42-46).

Resolution:

Proposal 3: Discussion on the amendments of the Company's Articles of Incorporation (Proposed by the Board of Directors)

I. The amendment is made to add Business Category codes to enable expansion of the Company's business scope, as well as to modify the codes according to the coding changes made by the Ministry of Economic Affairs.

II. The comparisons between the original and the amended provisions are shown in the Attachment VIII (Pages 47-54).

Resolution:

## **Election**

Item 1 :

Election of the 9<sup>th</sup> Board of Directors  
(Proposed by the Board of Directors)

- I. The tenure of the sitting board of directors ends in June 2021. The election of the 9<sup>th</sup> Board of Directors, in which 11 directors (including 3 seats of independent directors) will be elected for a 3-year term starting May 28, 2021 till May 27, 2024, is performed according to the Company Act and the Company's Articles of Incorporation.
- II. The director candidates have gone through the qualifications review in the Board Meeting of April 16, 2021. Shareholders will elect directors of the 9<sup>th</sup> BOD from the candidates list, which is shown in the Attachment IX (Pages 55-59).

Resolution:



## **Additional Discussion**

- Item 1 :                   Exemption of Non-competition Restrictions for the Directors  
(Proposed by the Board of Directors)
- I.     According to Article 209 of the Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure approval through the shareholders' meeting.
  - II.    In order to draw the expertise and experiences of directors to the Company's business operation, the Company requires approval to exempt directors and the legal bodies they represent that are operating businesses the same as or similar to the Company's business scope from the non-competition restrictions.
  - III.   The content of the exemption is shown in the Attachment X (Pages 60-61).

Resolution:

## **Extempore Motions**

## **Meeting Adjournment**

## **Business Report of 2020**

2020 has been the most challenging year ever for the aerospace industry. The havoc wreaked by the COVID-19 pandemic at the beginning of the year and the Boeing 737MAX groundings had disrupted the initially optimistic outlook and brought forward an impact worse than the 2007-2008 Financial Crisis. Aerospace giants, including Boeing, Airbus, GE, Rolls-Royce and others, had announced rounds of layoffs. The aerospace supply chain was also severely affected by dwindled orders from the leading aerospace manufacturers. AIDC's commercial aircraft programs were no exception.

As the operations faced serious impact in 2020, AIDC's leadership team had taken various measures. The Business Information Office was formed to detect signals of global aerospace manufacturing recovery. Three main corresponding strategies of broadening sources of income, reducing expenditure and gaining strength were the guideline of actions to cope with the crisis. In addition, the Strategy Meetings were called on a daily basis to: monitor operational risks; review implementation of strategies; and to channel efforts into the three primary tasks, including the indigenous development of the Advanced Jet Trainer; the establishment of the fleet maintenance center; and the supply chain integration. The endeavors have paid off in achieving the following goals.

Firstly, the Advanced Jet Trainer rolled out in September 2019 and successfully made a demonstration flight with President Tsai Ing-wen presiding over the event in June 2020. AIDC completed the flight tests in March 2021 before the aircraft was handed over to the Air force for operational test and evaluation, so as to meet the public's expectation of the AJT beginning its mass production ahead of schedule. In the meantime, AIDC continued to cultivate aerospace talents through the development of the AJT program, not just to preserve the existing experiences, but also to upgrade technologies which aims to bring Taiwan's capabilities in the aerospace industry to the next level.

Secondly, on the front of establishment of the fleet maintenance center, the F-16A/B upgrade project was conducted on schedule and on quality. AIDC also established the F-16 Maintenance & Support Center in August 2020 and signed an open MRO contract (EC10062L089PE) with the Ministry of National Defense on January 8, 2021. AIDC will actively participate in providing the MRO services for fighter aircrafts for the next thirty years valued at NT\$79.5 billion. Elected as the main operator of the F-16 Maintenance & Support Center in 2020, AIDC will lead domestic manufacturers to seize aircraft production and maintenance opportunities of relevant projects with the aim of increasing technological capacity and industrial output value for Taiwan's aerospace industry in order to realize objectives of self-sufficiency and localization of maintenance.

Thirdly, as the global aerospace industry continues to face the most difficult circumstances, the integration of Taiwan's supply chain in 2020 was furthered by the Taiwan Aerospace Industry A-Team 4.0 Alliance. By focusing on its three objectives, which were: facilitating lean practices and innovation; implementing smart manufacturing; and integrating supply chain system, AIDC strived to integrate the strengths of the A-Team members and to expand indigenous manufacturing capacity of the Taiwan aerospace industry. In 2020, AIDC also leveraged the communication platform for military contracts to foster manufacturing capacity and technological strength of the domestic aerospace industry to help boost overall

industrial competitiveness, which is essential when Taiwan aims to increase its share and opportunities in the global aerospace arena.

I would like to express our most sincere appreciation and gratitude to all our valued shareholders for your unwavering support of AIDC. The summary of the report on the operation results for FY 2019 and the business plan for FY 2020 are presented hereunder.

## **FY 2020 Operation Highlights**

### Revenue and Income

While taking the brunt of the Boeing 737 Max production suspension; the COVID-19 pandemic; and depreciation of the U.S. dollar, AIDC has been zealously securing defense contracts to lessen the impact. As a result, the operating profit in FY 2020 was NT\$21 billion. The net income was NT\$395.9 million and EPS was NT\$0.42 in FY 2020, which were lower than the previous year but remained profitable. The net cash inflow was NT\$5,760 million which was better than the previous year, and the financial structure remained steady.

### Research and Development Outlook

To achieve AIDC' business plan, the Company conducted 34 R&D projects at NT\$516.7 million in FY 2020. The R&D projects comprised of five categories, including the key technologies of the next generation military aircraft; new product development; management; maintenance; and manufacturing. Results of which are anticipated to expand the core capability and production capacity while facilitating the pursuit of better business opportunities.

### Credentials and Awards

#### **Corporate Governance:**

- \* Ranked in the Top 20% of the TWSE listed companies in the Corporate Governance Evaluation in Apr. 2020
- \* Received Diamond Supplier Award from Bombardier in Jul. 2020
- \* Selected as "TWSE Corporate Governance 100 Index" stock by the Taiwan Stock Exchange Corporation in Jul. 2020
- \* Ranked 42<sup>nd</sup> in the CSR Award in the Traditional Manufacturers category by Global Views Magazine in Aug. 2020
- \* Granted Golden Medal in the Corporate Health Responsibility Award by CommonWealth Magazine in Aug. 2020
- \* Awarded Corporate Excellence Award by the Asia Pacific Enterprise Awards in Nov. 2020

#### **Sustainable Environment:**

- \* Received Enterprise Green Energy Sustainability Award from the Taichung City Government in Jan. 2020
- \* Received Green Building Certificate with Diamond Rating by the Ministry of the Interior in Feb. 2020
- \* Granted SGS CSR Awards in the Sustainability Elites category in Nov. 2020
- \* Awarded ROC Enterprise Environmental Protection Award (Silver Medal in the Manufacturing category) and Role Model of Environmental Protection Dedicated Personnel in Nov. 2020

- \* Awarded 2020 Taiwan Corporate Sustainability Awards in the categories of Corporate Sustainability Report and Best Practice in Nov. 2020

#### **Labor-Management Relation**

- \* Received Technological and Vocational Education Contribution Group Award from the Ministry of Education in Aug. 2020
- \* Ranked 3<sup>rd</sup> in the National Slow Pitch Softball President Cup in the State-Owned Enterprise group in Sep. 2020
- \* Awarded Excellent Personnel in Occupational Safety and Health by the Labor Affairs Bureau of Kaohsiung City Government in Oct. 2020
- \* Received Enterprise Health Workplace Award from the Taichung City Government in Oct. 2020
- \* Received Occupational Safety and Health Workplace Four-Star Award from the Labor Affairs Bureau of Taichung City Government in Nov. 2020
- \* Awarded Excellent Volunteer Team by the Taichung City Government in Nov. 2020
- \* Awarded Taiwan iSports Certification and ranked 2<sup>nd</sup> in the Taiwan iSports Enterprise Annual Award by the Sports Administration, Ministry of Education in Nov. 2020
- \* Awarded National Talent Development Award in the Large Enterprise category by the Ministry of Labor in Dec. 2020

### **Business Plan for FY 2021**

#### Business Development Plan

- \* In the area of defense business, AIDC will be dedicated to expanding business in military aircraft manufacturing, maintenance, performance upgrade, fleet commercial maintenance, GOCO and military engine parts manufacturing and maintenance.
- \* In the area of commercial aviation, AIDC seeks to expand business in structural parts and assemblies of commercial aircraft and engines.
- \* In the area of industrial technology service, AIDC continues to focus on R&D, design, manufacturing, testing, system integration and after-sales service of products derived from the application of aerospace technology.

#### Corporate Management Policy

In response to the uncertainties of the COVID-19 pandemic, AIDC will continue to adopt the Balanced Scorecard (BSC) as a management tool to align and link AIDC's vision, strategy, and objectives with major tasks and plans of each department. Additionally, AIDC will fully implement the measures of broadening sources of income, reducing expenditure and gaining strength, coupled with practices of accountability and lean principles to continue to widen and deepen the implementation of countering measures so as to attain the operational goals of FY 2021.



As we enter 2021, the sweeping effect of the COVID-19 pandemic has prompted various countries to introduce border restrictions and has consequently caused severe impact on aviation travel. According to the International Air Transport Association (IATA), global passenger traffic is not expected to return to the pre-pandemic levels until 2024 at the earliest. As to the Boeing 737 MAX groundings, the aircraft has been approved to return to service by the Federal Aviation Administration (FAA) on Nov. 18, 2020, followed by the authorities of Brazil, Canada, European Union Aviation Safety Agency (EASA) and the U.K. Civil Aviation Authority. As demand for new aircrafts remains weak and Boeing still had over 400 brand new 737 MAX aircrafts in storage by the end of 2020, AIDC will stay abreast of market trend and respond swiftly.

AIDC's operational goals for FY 2021 are established with practical and cautious attitude and are focused on using strengths of the military business to compensate for the pandemic damages in the commercial aviation sector, which include to begin mass production of the AJT program ahead of schedule, to secure the MRO services for the next generation fighter aircrafts and to win F-16 fleet maintenance contracts as the main operator of the F-16 Maintenance & Support Center. AIDC strives to sustain its operation by prioritizing the following targets at the same time.

1. Advancement of military aircraft full scale R&D;
2. Aerospace key components development;
3. Sophisticated measures for mass production;
4. Stabilization and expansion of commercial aircraft OEM/ODM businesses and further intensification of related technologies;
5. Enhancement in operational management, corporate image, employee training, and corporate culture;
6. Development of cooperative relationship with the National Chung-Shan Institute of Science & Technology in R&D and mass production opportunities in missile system, communication system, military and civil radar system, and command and control system by leveraging AIDC's established manufacturing capabilities;

7. Active involvement in new business development, such as energy storage system and marine power, through extending core capabilities to related industries and exploring complementary businesses, so as to increase operational growth and remain dominant as a high-end aerospace system integrator in the industry.

As a leading aerospace manufacturer in Taiwan, AIDC is heading resolutely towards the future, bearing the responsibility of national security and the vision of becoming a world class aerospace provider. Faced with an unprecedented challenge posed by the pandemic, we are dedicating ourselves in sustaining our business operation and adding values for our customers, shareholders, employees, and the society.

Chairman: Hu, Kai-Hung      President: Ma, Wan-June      Accounting Supervisor: Huang, Hsiu-Yen

Date: March 26, 2021

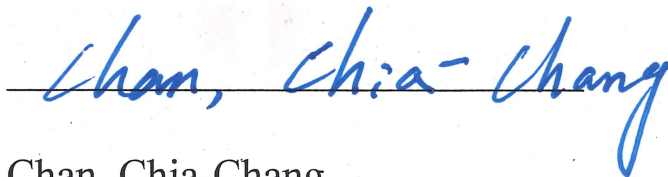
To: Aerospace Industrial Development Corporation  
2021 Annual Shareholders' Meeting

Subject: Audit Committee Review Report

Dear Valued Shareholders,

The Board of Directors has prepared the Company's 2020 Business Report, Financial Statements, and proposal for allocation of profits. The CPA firm of Deloitte & Touche Tohmatsu was retained to audit AIDC's Financial Statements and has issued an audit report relating to Financial Statements. The Business Report, Financial Statements, and proposal for allocation of profits have been reviewed and determined to be correct and accurate by the Audit Committee of Aerospace Industrial Development Corporation. According to Article 219 of the Company Law and Article 14-4 of the Securities and Exchange Act, I hereby submit this report.

Sincerely,

A handwritten signature in blue ink that reads "Chan, Chia-Chang". The signature is written over a horizontal line.

Chan, Chia-Chang  
Chairman of the Audit Committee



### **2020 Compensation to Employees and Directors**

The Board of Directors has approved the proposal of the 2020 Employees' Compensation and Remuneration to Directors in the board meeting of March 26, 2021. The compensation will be distributed after the Annual Shareholders' Meeting.

1. Employees' compensation and the directors' remuneration are totaled respectively at NT\$18,883,302 and NT\$2,355,337 in cash.
2. The amounts, cited above as expenses of the 2020 net profit before income tax, are the same as the amounts proposed by the Board of Directors.



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## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Aerospace Industrial Development Corporation

### **Opinion**

We have audited the accompanying consolidated financial statements of Aerospace Industrial Development Corporation and its subsidiary (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, 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 its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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 of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in the Group's consolidated financial statements for the year ended December 31, 2020 are stated as follows:

### Impairment loss of inventory

The Group assesses the impairment of inventory by identifying raw materials individually. The Group's assessment of impairment loss of raw materials was based on current market condition and future consumption in accordance with IAS 2. Refer to Notes 5 and 9 to the consolidated financial statements for the relevant accounting policy, accounting judgments and estimation uncertainties, and other information. The assessment of impairment loss of raw materials involves management's critical judgment; therefore, we considered impairment of inventory as a key audit matter. Our key audit procedures performed in regard to the impairment assessment include the following:

1. We selected samples of the inventory aging report and tested the completeness and accuracy of the inventory.
2. We selected samples from raw materials that are over 1 year, which were not recognized as obsolete, and confirmed the reasonableness of not recognizing the raw materials' obsolescence.
3. We tested the net realizable value of raw materials which were not recognized as obsolete, and we selected samples and calculated the allowance for impairment loss.

### **Other Matter**

We have also audited the parent company only financial statements of Aerospace Industrial Development Corporation as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Done-Yuin Tseng and Lie-Dong Wu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 26, 2021

Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.*

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

# AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	December 31			
	2020		2019	
	Amount	%	Amount	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 4,587,565	11	\$ 634,140	2
Notes receivable (Notes 4 and 8)	48,561	-	5,637	-
Trade receivables from unrelated parties (Notes 4 and 8)	9,718,012	22	13,958,292	30
Trade receivables from related parties (Notes 4 and 29)	101,332	-	131,561	-
Other receivables (Notes 4 and 8)	11,655	-	81,918	-
Current tax assets	20,267	-	-	-
Inventories (Notes 4, 5 and 9)	12,196,505	28	9,820,034	21
Other financial assets - current (Notes 4, 15 and 30)	33,021	-	2,935,559	7
Other current assets (Notes 4, 16, 21 and 29)	<u>3,077,685</u>	<u>7</u>	<u>4,587,118</u>	<u>10</u>
Total current assets	<u>29,794,603</u>	<u>68</u>	<u>32,154,259</u>	<u>70</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 7)	49,928	-	87,334	-
Investments accounted for using equity method (Notes 4 and 11)	976,879	2	838,039	2
Property, plant and equipment (Notes 4, 12, 24 and 30)	9,297,868	21	8,568,418	18
Right-of-use assets (Notes 3, 4 and 13)	1,815,293	4	2,292,399	5
Intangible assets (Notes 4 and 14)	1,156,391	3	1,246,970	3
Deferred tax assets (Notes 4 and 25)	319,835	1	305,862	1
Prepayments for equipment (Note 24)	472,268	1	513,640	1
Other financial assets - non-current (Notes 4, 15 and 30)	47,841	-	14,054	-
Other non-current assets (Notes 4, 8 and 16)	<u>93,394</u>	<u>-</u>	<u>66,461</u>	<u>-</u>
Total non-current assets	<u>14,229,697</u>	<u>32</u>	<u>13,933,177</u>	<u>30</u>
<b>TOTAL</b>	<u>\$ 44,024,300</u>	<u>100</u>	<u>\$ 46,087,436</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 17 and 30)	\$ 3,710,000	9	\$ 4,920,000	11
Short-term bills payable (Note 17)	11,696,287	27	8,357,255	18
Contract liabilities (Note 4)	1,480,736	3	584,119	1
Trade payables to unrelated parties	1,232,686	3	1,395,943	3
Trade payables to related parties (Note 29)	101,685	-	79,880	-
Other payables (Notes 19 and 29)	2,699,823	6	3,605,047	8
Current tax liabilities (Notes 4 and 25)	61,401	-	199,940	1
Lease liabilities - current (Notes 3, 4 and 13)	103,630	-	141,411	-
Net defined benefit liabilities - current (Notes 4 and 21)	-	-	61,813	-
Other current liabilities	<u>100,842</u>	<u>-</u>	<u>43,943</u>	<u>-</u>
Total current liabilities	<u>21,187,090</u>	<u>48</u>	<u>19,389,351</u>	<u>42</u>
<b>NON-CURRENT LIABILITIES</b>				
Bonds payable (Note 18)	2,997,014	7	2,996,210	7
Long-term borrowings (Notes 17 and 30)	3,260,000	7	5,928,299	13
Provisions - non-current (Notes 4 and 20)	442,175	1	551,553	1
Non-current tax liabilities (Notes 4 and 25)	92,101	-	-	-
Deferred tax liabilities (Notes 4 and 25)	157,145	-	116,343	-
Lease liabilities - non-current (Notes 3, 4 and 13)	1,740,938	4	2,167,424	5
Long-term deferred revenue (Note 4)	3,856	-	279	-
Guarantee deposits	<u>179,709</u>	<u>1</u>	<u>214,391</u>	<u>-</u>
Total non-current liabilities	<u>8,872,938</u>	<u>20</u>	<u>11,974,499</u>	<u>26</u>
Total liabilities	<u>30,060,028</u>	<u>68</u>	<u>31,363,850</u>	<u>68</u>
<b>EQUITY</b>				
Ordinary shares	9,418,671	21	9,418,671	20
Retained earnings				
Legal reserve	1,098,424	3	909,345	2
Special reserve	1,931,264	4	2,522,475	6
Unappropriated earnings	1,634,749	4	1,902,904	4
Other equity	<u>(118,836)</u>	<u>-</u>	<u>(29,809)</u>	<u>-</u>
Total equity	<u>13,964,272</u>	<u>32</u>	<u>14,723,586</u>	<u>32</u>
<b>TOTAL</b>	<u>\$ 44,024,300</u>	<u>100</u>	<u>\$ 46,087,436</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.



# AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2020		2019	
	Amount	%	Amount	%
SALES (Notes 4, 23 and 29)	\$ 21,042,937	100	\$ 28,540,207	100
COST OF GOODS SOLD (Notes 9, 24 and 29)	<u>19,640,836</u>	<u>93</u>	<u>24,729,566</u>	<u>87</u>
GROSS PROFIT	<u>1,402,101</u>	<u>7</u>	<u>3,810,641</u>	<u>13</u>
OPERATING EXPENSES (Notes 24 and 29)				
Selling and marketing expenses	115,566	1	126,142	1
General and administrative expenses	597,985	3	682,722	2
Research and development expenses	516,700	2	548,281	2
Expected credit loss (gain) (Notes 4 and 8)	<u>(7,974)</u>	<u>-</u>	<u>8,130</u>	<u>-</u>
Total operating expenses	<u>1,222,277</u>	<u>6</u>	<u>1,365,275</u>	<u>5</u>
PROFIT FROM OPERATIONS	<u>179,824</u>	<u>1</u>	<u>2,445,366</u>	<u>8</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4 and 24)	750,132	4	127,236	1
Other losses (Notes 4 and 24)	(552,757)	(3)	(407,261)	(1)
Share of profit of associates (Note 4)	241,233	1	322,639	1
Interest income	41,216	-	101,337	-
Finance costs (Notes 4 and 24)	<u>(180,025)</u>	<u>(1)</u>	<u>(217,780)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>299,799</u>	<u>1</u>	<u>(73,829)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	479,623	2	2,371,537	8
INCOME TAX EXPENSE (Notes 4 and 25)	<u>83,765</u>	<u>-</u>	<u>497,250</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>395,858</u>	<u>2</u>	<u>1,874,287</u>	<u>6</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	54,677	-	16,507	-
Unrealized loss on investments in equity instruments designated as at fair value through other comprehensive income	(37,406)	-	(16,133)	-

(Continued)

# AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2020		2019	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	\$ (51,621)	-	\$ (22,590)	-
Other comprehensive loss for the year, net of income tax	(34,350)	-	(22,216)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 361,508	2	\$ 1,852,071	6
EARNINGS PER SHARE (Note 26)				
Basic	\$ 0.42		\$ 1.99	
Diluted	\$ 0.42		\$ 1.98	

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)



# AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company						Total Equity
	Ordinary Shares (Note 22)	Retained Earnings (Note 22)			Exchange Differences on Translation of the Financial Statements of Foreign Operations	Other Equity (Note 4)	
		Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized gain (loss) on Investments in Equity Instruments Designated as at Fair Value Through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2019	\$ 9,418,671	\$ 702,338	\$ 1,933,627	\$ 2,070,067	\$ (15,353)	\$ 24,267	\$ 14,133,617
Appropriation of 2018 earnings							
Legal reserve	-	207,007	-	(207,007)	-	-	-
Special reserve	-	-	588,848	(588,848)	-	-	-
Cash dividends distributed by the Company	-	-	-	(1,262,102)	-	-	(1,262,102)
Profit for the year ended December 31, 2019	-	-	-	1,874,287	-	-	1,874,287
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	16,507	(22,590)	(16,133)	(22,216)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	1,890,794	(22,590)	(16,133)	1,852,071
BALANCE AT DECEMBER 31, 2019	9,418,671	909,345	2,522,475	1,902,904	(37,943)	8,134	14,723,586
Appropriation of 2019 earnings							
Legal reserve	-	189,079	-	(189,079)	-	-	-
Special reserve	-	-	(591,211)	591,211	-	-	-
Cash dividends distributed by the Company	-	-	-	(1,120,822)	-	-	(1,120,822)
Profit for the year ended December 31, 2020	-	-	-	395,858	-	-	395,858
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	54,677	(51,621)	(37,406)	(34,350)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	450,535	(51,621)	(37,406)	361,508
BALANCE AT DECEMBER 31, 2020	\$ 9,418,671	\$ 1,098,424	\$ 1,931,264	\$ 1,634,749	\$ (89,564)	\$ (29,272)	\$ 13,964,272

The accompanying notes are an integral part of the consolidated financial statements.

# AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 479,623	\$ 2,371,537
Adjustments for:		
Depreciation expense	1,090,238	1,088,615
Amortization expense	339,940	304,189
Expected credit loss recognized (reversed)	(7,974)	8,130
Finance costs	180,025	217,780
Interest income	(41,216)	(101,337)
Dividend income	(111)	(138)
Share of profit of associate	(241,233)	(322,639)
Loss on disposal of property, plant and equipment	21	669
Impairment loss recognized (reversed) on non-financial assets	267,345	(204,769)
Unrealized net loss on foreign currency exchange	47,887	254,577
Reversal of provisions	(72,336)	(95,802)
Other income from liabilities	(2,168)	(13,842)
Benefits from lease modification	(24,069)	-
Net changes in operating assets and liabilities		
Notes receivable	(42,924)	(2,953)
Trade receivables	4,236,879	1,059,240
Other receivables	65,077	20,421
Inventories	(2,638,183)	(2,940,936)
Other current assets	1,515,966	(715,910)
Contract liabilities	896,617	500,221
Trade payables	(139,964)	(808,744)
Other payables	(875,180)	43,275
Other current liabilities	57,490	(61,652)
Deferred income	3,577	(36)
Cash generated from operations	5,095,327	599,896
Interest received	46,402	99,284
Interest paid	(159,576)	(217,354)
Income tax paid	(137,310)	(468,146)
Net cash generated from operating activities	<u>4,844,843</u>	<u>13,680</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for investments accounted for using equity method	(50,000)	-
Payments for property, plant and equipment	(1,566,946)	(821,045)
Proceeds from disposal of property, plant and equipment	-	44
Increase in refundable deposits	(76,673)	(24,526)
Decrease in refundable deposits	51,448	11,227
Payments for intangible assets	(236,777)	(258,397)
Decrease (increase) in other financial assets	2,870,196	(1,081,960)

(Continued)

# AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Increase in other non-current assets	\$ (27,123)	\$ (205,900)
Increase in prepayments for equipment	(151,457)	(488,622)
Dividends received	<u>103,083</u>	<u>70,535</u>
Net cash generated from (used in) investing activities	<u>915,751</u>	<u>(2,798,644)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	39,042,244	48,520,000
Repayments of short-term borrowings	(40,252,244)	(51,330,000)
Proceeds from short-term bills payable	79,086,586	37,430,463
Repayments of short-term bills payable	(75,747,554)	(31,572,783)
Proceeds from bonds payable	-	2,995,980
Proceeds from long-term borrowings	31,438,000	26,673,760
Repayments of long-term borrowings	(34,106,299)	(28,868,579)
Proceeds of guarantee deposits received	103,677	253,185
Refund of guarantee deposits	(138,359)	(244,534)
Repayment of the principal portion of lease liabilities	(110,216)	(133,799)
Cash dividends distributed	<u>(1,120,822)</u>	<u>(1,262,102)</u>
Net cash generated from (used in) financing activities	<u>(1,804,987)</u>	<u>2,461,591</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>		
	<u>(2,182)</u>	<u>(5,383)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	3,953,425	(328,756)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>634,140</u>	<u>962,896</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 4,587,565</u>	<u>\$ 634,140</u>

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Aerospace Industrial Development Corporation

### Opinion

We have audited the accompanying financial statements of Aerospace Industrial Development Corporation (the "Company"), which comprise the balance sheets as of December 31, 2020 and 2019, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in the Company's financial statements for the year ended December 31, 2020 are stated as follows:

#### Impairment loss of inventory

The Company assesses the impairment of inventory by identifying raw materials individually. The assessment of impairment loss of raw materials was based on current market condition and future consumption in accordance with IAS 2. Refer to Notes 5 and 9 to the financial statements for the relevant accounting policy, accounting judgments and estimation uncertainties, and other information. The assessment of impairment loss of

raw materials involves management's critical judgment; therefore, we considered impairment of inventory as a key audit matter. Our key audit procedures performed in regard to the impairment assessment include the following:

1. We selected samples of the inventory aging report and tested the completeness and accuracy of the inventory.
2. We selected samples from raw materials that are over 1 year, which were not recognized as obsolete, and confirmed the reasonableness of not recognizing the raw materials' obsolescence.
3. We tested the net realizable value of raw materials which were not recognized as obsolete and we selected samples and calculated the allowance for impairment loss.

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

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

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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



4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Done-Yuin Tseng and Lie-Dong Wu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 26, 2021

#### Notice to Readers

*The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.*

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

# AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

## BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

	December 31			
	2020		2019	
ASSETS	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 4,550,068	11	\$ 605,287	1
Notes receivable (Notes 4 and 8)	48,561	-	5,637	-
Trade receivables from unrelated parties (Notes 4 and 8)	9,718,012	22	13,958,292	30
Trade receivables from related parties (Notes 4 and 28)	99,413	-	128,327	-
Other receivables (Notes 4 and 8)	11,655	-	81,914	-
Current tax assets	4,541	-	-	-
Inventories (Notes 4, 5 and 9)	12,196,505	28	9,820,034	22
Other financial assets - current (Notes 4, 14 and 29)	33,021	-	2,935,559	7
Other current assets (Notes 4, 15, 20 and 28)	<u>3,077,295</u>	<u>7</u>	<u>4,586,695</u>	<u>10</u>
Total current assets	<u>29,739,071</u>	<u>68</u>	<u>32,121,745</u>	<u>70</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 7)	49,928	-	87,334	-
Investments accounted for using equity method (Notes 4 and 10)	1,029,026	2	854,928	2
Property, plant and equipment (Notes 4, 11, 23 and 29)	9,297,653	21	8,567,935	18
Right-of-use assets (Notes 3, 4 and 12)	1,813,172	4	2,288,217	5
Intangible assets (Notes 4 and 13)	1,156,321	3	1,246,856	3
Deferred tax assets (Notes 4 and 24)	319,637	1	305,631	1
Prepayments for equipment (Note 23)	472,268	1	513,640	1
Other financial assets - non-current (Notes 4, 14 and 29)	47,841	-	14,054	-
Other non-current assets (Notes 4, 8 and 15)	<u>93,251</u>	<u>-</u>	<u>66,310</u>	<u>-</u>
Total non-current assets	<u>14,279,097</u>	<u>32</u>	<u>13,944,905</u>	<u>30</u>
<b>TOTAL</b>	<u>\$ 44,018,168</u>	<u>100</u>	<u>\$ 46,066,650</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 16 and 29)	\$ 3,710,000	9	\$ 4,920,000	11
Short-term bills payable (Note 16)	11,696,287	27	8,357,255	18
Contract liabilities (Note 4)	1,480,736	3	584,119	1
Trade payables to unrelated parties	1,232,686	3	1,395,943	3
Trade payables to related parties (Note 28)	102,182	-	79,880	-
Other payables (Notes 18 and 28)	2,695,662	6	3,601,051	8
Current tax liabilities (Notes 4 and 24)	61,401	-	187,462	1
Lease liabilities-current (Notes 3, 4 and 12)	102,069	-	139,577	-
Net defined benefit liabilities - current (Notes 4 and 20)	-	-	61,813	-
Other current liabilities	<u>100,687</u>	<u>-</u>	<u>43,901</u>	<u>-</u>
Total current liabilities	<u>21,181,710</u>	<u>48</u>	<u>19,371,001</u>	<u>42</u>
<b>NON-CURRENT LIABILITIES</b>				
Bonds payable (Note 17)	2,997,014	7	2,996,210	7
Long-term borrowings (Notes 16 and 29)	3,260,000	7	5,928,299	13
Provisions - non-current (Notes 4 and 19)	442,175	1	551,553	1
Non-current tax liabilities (Notes 4 and 24)	92,101	-	-	-
Deferred tax liabilities (Notes 4 and 24)	157,145	-	116,343	-
Lease liabilities-non-current (Notes 3, 4 and 12)	1,740,186	4	2,164,988	5
Long-term deferred revenue (Note 4)	3,856	-	279	-
Guarantee deposits	<u>179,709</u>	<u>1</u>	<u>214,391</u>	<u>-</u>
Total non-current liabilities	<u>8,872,186</u>	<u>20</u>	<u>11,972,063</u>	<u>26</u>
Total liabilities	<u>30,053,896</u>	<u>68</u>	<u>31,343,064</u>	<u>68</u>
<b>EQUITY</b>				
Ordinary shares	9,418,671	21	9,418,671	20
Retained earnings				
Legal reserve	1,098,424	3	909,345	2
Special reserve	1,931,264	4	2,522,475	6
Unappropriated earnings	1,634,749	4	1,902,904	4
Other equity	<u>(118,836)</u>	<u>-</u>	<u>(29,809)</u>	<u>-</u>
Total equity	<u>13,964,272</u>	<u>32</u>	<u>14,723,586</u>	<u>32</u>
<b>TOTAL</b>	<u>\$ 44,018,168</u>	<u>100</u>	<u>\$ 46,066,650</u>	<u>100</u>

The accompanying notes are an integral part of the financial statements.

# AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2020		2019	
	Amount	%	Amount	%
SALES (Notes 4, 22 and 28)	\$ 21,020,879	100	\$ 28,515,619	100
COST OF GOODS SOLD (Notes 9, 23 and 28)	<u>19,665,936</u>	<u>93</u>	<u>24,762,906</u>	<u>87</u>
GROSS PROFIT	<u>1,354,943</u>	<u>7</u>	<u>3,752,713</u>	<u>13</u>
OPERATING EXPENSES (Notes 23 and 28)				
Selling and marketing expenses	119,408	1	131,047	-
General and administrative expenses	555,117	3	624,613	2
Research and development expenses	516,700	2	548,281	2
Expected credit loss (gain) (Notes 4 and 8)	<u>(7,974)</u>	<u>-</u>	<u>8,130</u>	<u>-</u>
Total operating expenses	<u>1,183,251</u>	<u>6</u>	<u>1,312,071</u>	<u>4</u>
PROFIT FROM OPERATIONS	<u>171,692</u>	<u>1</u>	<u>2,440,642</u>	<u>9</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4 and 23)	750,129	4	127,236	-
Other losses (Notes 4 and 23)	(552,756)	(3)	(407,253)	(1)
Share of profit of subsidiary and associates (Note 4)	175,719	1	255,822	1
Interest income	41,189	-	101,312	-
Finance costs (Notes 4 and 23)	<u>(179,880)</u>	<u>(1)</u>	<u>(217,686)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>234,401</u>	<u>1</u>	<u>(140,569)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX	406,093	2	2,300,073	8
INCOME TAX EXPENSE (Notes 4 and 24)	<u>10,235</u>	<u>-</u>	<u>425,786</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>395,858</u>	<u>2</u>	<u>1,874,287</u>	<u>6</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
(Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	54,677	-	16,507	-
Unrealized loss on investments in equity instruments designated as at fair value through other comprehensive income	(37,406)	-	(16,133)	-

(Continued)



# AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2020		2019	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	\$ (51,621)	-	\$ (22,590)	-
Other comprehensive loss for the year, net of income tax	(34,350)	-	(22,216)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 361,508</u>	<u>2</u>	<u>1,852,071</u>	<u>6</u>
EARNINGS PER SHARE (Note 25)				
Basic	<u>\$ 0.42</u>		<u>1.99</u>	
Diluted	<u>\$ 0.42</u>		<u>1.98</u>	

The accompanying notes are an integral part of the financial statements.

(Concluded)

# AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

## STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	Ordinary Shares (Note 21)	Retained Earnings (Note 21)			Other Equity (Note 4)		Total Equity
		Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized gain (loss) on Investments in Equity Instruments Designated as at Fair Value through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2019	\$ 9,418,671	\$ 702,338	\$ 1,933,627	\$ 2,070,067	\$ (15,353)	\$ 24,267	\$ 14,133,617
Appropriation of 2018 earnings							
Legal reserve	-	207,007	-	(207,007)	-	-	-
Special reserve	-	-	588,848	(588,848)	-	-	-
Cash dividends distributed by the Company	-	-	-	(1,262,102)	-	-	(1,262,102)
Profit for the year ended December 31, 2019	-	-	-	1,874,287	-	-	1,874,287
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	16,507	(22,590)	(16,133)	(22,216)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	1,890,794	(22,590)	(16,133)	1,852,071
BALANCE AT DECEMBER 31, 2019	9,418,671	909,345	2,522,475	1,902,904	(37,943)	8,134	14,723,586
Appropriation of 2019 earnings							
Legal reserve	-	189,079	-	(189,079)	-	-	-
Special reserve	-	-	(591,211)	591,211	-	-	-
Cash dividends distributed by the Company	-	-	-	(1,120,822)	-	-	(1,120,822)
Profit for the year ended December 31, 2020	-	-	-	395,858	-	-	395,858
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	54,677	(51,621)	(37,406)	(34,350)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	450,535	(51,621)	(37,406)	361,508
BALANCE AT DECEMBER 31, 2020	\$ 9,418,671	\$ 1,098,424	\$ 1,931,264	\$ 1,634,749	\$ (89,564)	\$ (29,272)	\$ 13,964,272

The accompanying notes are an integral part of the financial statements.

# AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 406,093	\$ 2,300,073
Adjustments for:		
Depreciation expense	1,088,005	1,087,276
Amortization expense	339,901	304,182
Expected credit loss recognized (reversed)	(7,974)	8,130
Finance costs	179,880	217,686
Interest income	(41,189)	(101,312)
Dividend income	(111)	(138)
Share of profit of subsidiary and associate	(175,719)	(255,822)
Loss on disposal of property, plant and equipment	21	669
Impairment loss recognized (reversed) on non-financial assets	267,345	(204,769)
Unrealized net loss on foreign currency exchange	47,887	254,574
Reversal of provisions	(72,336)	(95,802)
Other income from liabilities	(2,168)	(13,842)
Benefits from lease modification	(24,069)	-
Net changes in operating assets and liabilities		
Notes receivable	(42,924)	(2,953)
Trade receivables	4,235,564	1,058,450
Other receivables	65,073	15,464
Inventories	(2,638,183)	(2,940,936)
Other current assets	1,515,933	(715,842)
Contract liabilities	896,617	500,221
Trade payables	(139,467)	(808,744)
Other payables	(875,345)	45,476
Other current liabilities	57,377	(61,670)
Deferred income	3,577	(36)
Cash generated from operations	5,083,788	590,335
Interest received	46,375	99,259
Interest paid	(159,576)	(217,261)
Income tax paid	(35,609)	(395,823)
Net cash generated from operating activities	<u>4,934,978</u>	<u>76,510</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for investments accounted for using equity method	(50,000)	-
Payments for property, plant and equipment	(1,566,886)	(820,997)
Proceeds from disposal of property, plant and equipment	-	34
Increase in refundable deposits	(76,673)	(24,519)
Decrease in refundable deposits	51,446	11,230
Payments for intangible assets	(236,777)	(258,272)
Decrease (increase) in other financial assets	2,870,196	(1,081,960)
Increase in other non-current assets	(27,123)	(205,900)

(Continued)

# AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Increase in prepayments for equipment	\$ (151,457)	\$ (488,622)
Dividends received	<u>111</u>	<u>138</u>
Net cash generated from (used in) investing activities	<u>812,837</u>	<u>(2,868,868)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	39,042,244	48,520,000
Repayments of short-term borrowings	(40,252,244)	(51,330,000)
Proceeds from short-term bills payable	79,086,586	37,430,463
Repayments of short-term bills payable	(75,747,554)	(31,572,783)
Proceeds from bonds payable	-	2,995,980
Proceeds from long-term borrowings	31,438,000	26,673,760
Repayments of long-term borrowings	(34,106,299)	(28,868,579)
Proceeds of guarantee deposits received	103,677	253,185
Refund of guarantee deposits	(138,359)	(244,534)
Repayment of the principal portion of lease liabilities	(108,263)	(132,857)
Cash dividends distributed	<u>(1,120,822)</u>	<u>(1,262,102)</u>
Net cash generated from (used in) financing activities	<u>(1,803,034)</u>	<u>2,462,533</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	3,944,781	(329,825)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>605,287</u>	<u>935,112</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 4,550,068</u>	<u>\$ 605,287</u>

The accompanying notes are an integral part of the financial statements.

(Concluded)

## Aerospace Industrial Development Corporation Proposal for Earnings Distribution of 2020 Profits

unit: in NTD

Item	Amount
Distributable earnings at beginning of period	1,184,214,457
Remeasurement of defined benefit plans	54,676,800
Distributable earnings after adjustment	1,238,891,257
Annual net profit after tax	395,857,358
Less Items :	
Legal reserve ( 10% )	-45,053,416
Legal special reserve	-118,836,265
Add Items :	
Reverse previous year self-listing special reserve	29,809,649
Accumulate available for distribution surplus	1,500,668,583
Distribution Items :	
Cash dividend to shareholders (NT\$0.2 pre share)	-188,373,420
Total distribution	-188,373,420
Unappropriated earnings at the end of period	1,312,295,163

## Mapping of the Amended Provisions of the Company's Rules and Procedures of Shareholders' Meeting and the Original Provisions

After amendment		Before amendment		Cause of amendment
Article 4	<p>The Company's rules and procedures for shareholders' meetings shall be held in accordance with Regulations Governing Content and Compliance Requirements for Shareholders' Meeting Agenda Handbooks of Public Companies.</p> <p>Thirty days before the Company is to convene an annual shareholders' meeting and fifteen days before a special shareholders' meeting, the Company shall inform the shareholders on meeting notice and shareholders' meeting agenda. The meeting notice shall contain reasons for convening the meeting and may be presented in electronic form.</p> <p>Election or discharge of directors; changes in the Articles of Incorporation; <u>capital reduction; termination of public issuance; exemption of non-competition restrictions for directors; transfer of profits to capital increase; transfer of reserve to capital increase; dismissal, merge and demerger of the Company or issues regarding Article 185-1 of the Company Act; issues regarding Article 26-1, 43-6 of the Securities and Exchange Act and Article 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be listed in the reasons for convening the meeting with description and shall not be proposed as extempore motions.</u></p>	Article 4	<p>The Company's rules and procedures for shareholders' meetings shall be held in accordance with Regulations Governing Content and Compliance Requirements for Shareholders' Meeting Agenda Handbooks of Public Companies.</p> <p>Thirty days before the Company is to convene an annual shareholders' meeting and fifteen days before a special shareholders' meeting, the Company shall inform the shareholders on meeting notice and shareholders' meeting agenda. The meeting notice shall contain reasons for convening the meeting and may be presented in electronic form.</p> <p>Election or discharge of directors, changes in the Articles of Incorporation, <u>dismissal, merge and demerger of the Company or items regarding Article 185-1 of the Company Act and Article 26-1 and 43-6 of the Securities and Exchange Act shall be listed in the reasons for convening the meeting and shall not be proposed as extempore motions.</u></p>	<ol style="list-style-type: none"> <li>1. Amendment to the provision.</li> <li>2. Amendments are made pursuant to the government's related laws of the circumstances that are not to be proposed as extempore motions. Also amendments are made for additional clauses.</li> </ol>

After amendment	Before amendment	Cause of amendment
<p><u>When election of the board is held in a shareholders' meeting and the meeting notice contains a set inauguration date for the new board, such date shall not be altered after completion of the election either by an extempore motion or any other means in the same meeting.</u></p> <p>Shareholders holding one percent or more of the total number of outstanding shares of the Company may propose one proposal at most to annual shareholders' meeting in writing. In cases where a proposal contains more than one matter, such proposal shall not be included in the agenda.</p> <p>Proposals with regard to Article 172-1, Paragraph 4 of the Company Act submitted by shareholders may not be listed as discussion items by the Board of Directors.</p> <p><u>Shareholders may submit a proposal regarding promotion of CSR by following the procedure cited in Article 172-1 of the Company Act, with the limitation of one CSR proposal per meeting. The rest, if any, will not be included in the agenda.</u></p> <p>Prior to the book closure date before the convening of a regular shareholders' meeting, the Company shall give a public notice announcing acceptance of proposals, <u>acceptable formats of proposal</u>, the place and the period for shareholders to submit proposals to be discussed at the meeting; and the period for accepting such proposals shall not be less than ten days.</p> <p>The number of words of a proposal submitted by a shareholder shall be limited</p>	<p>(Addition)</p> <p>Shareholders holding one percent or more of the total number of outstanding shares of the Company may propose one proposal at most to annual shareholders' meeting in writing. In cases where a proposal contains more than one matter, such proposal shall not be included in the agenda.</p> <p>Proposals with regard to Article 172-1, Paragraph 4 of the Company Act submitted by shareholders may not be listed as discussion items by the Board of Directors.</p> <p>Prior to the book closure date before the convening of a regular shareholders' meeting, the Company shall give a public notice announcing acceptance of proposals, the place and the period for shareholders to submit proposals to be discussed at the meeting; and the period for accepting such proposals shall not be less than ten days.</p> <p>The number of words of a proposal submitted by a shareholder shall be limited</p>	

After amendment	Before amendment	Cause of amendment
<p>to not more than three hundred words, and any proposal containing more than 300 words shall not be included in the agenda of shareholders' meetings. The shareholder who has submitted proposals shall attend, in person or by proxy, the regular shareholders' meeting whereat the submitted proposal are to be discussed and shall take part in the discussion of such proposals.</p> <p>Before the day on which the meeting notice is announced, the Company shall inform the shareholder who has submitted proposals on the acceptance result and list the proposals in compliance with this article in the meeting notice. For proposals not included in the agenda, the Board of Directors shall make an explanation about exclusion of such proposals. The agenda of shareholders' meetings shall be set by the Board of Directors <u>when it is convened by the Board. All the proposals in the agenda shall be voted consecutively (including extempore motions and amendments.)</u></p> <p>Unless otherwise resolved at shareholders' meetings, the meetings shall proceed in accordance with the agenda. Before all proposals, including extempore motions, listed in the agenda are resolved, the chair shall not announce adjournment of the meeting unless otherwise resolved. <u>It also applies to a shareholders' meeting which is convened by persons, other than the Board, with the meeting calling right.</u></p>	<p>to not more than three hundred words, and any proposal containing more than 300 words shall not be included in the agenda of shareholders' meetings. The shareholder who has submitted proposals shall attend, in person or by proxy, the regular shareholders' meeting whereat the submitted proposal are to be discussed and shall take part in the discussion of such proposals.</p> <p>Before the day on which the meeting notice is announced, the Company shall inform the shareholder who has submitted proposals on the acceptance result and list the proposals in compliance with this article in the meeting notice. For proposals not included in the agenda, the Board of Directors shall make an explanation about exclusion of such proposals. The agenda of shareholders' meetings shall be set by the Board of Directors.</p> <p>Unless otherwise resolved at shareholders' meetings, the meetings shall proceed in accordance with the agenda. Before all proposals, including extempore motions, listed in the agenda are resolved, the chair shall not announce adjournment of the meeting unless otherwise resolved.</p>	



## **Aerospace Industrial Development Corporation**

### **Rules and Procedures of Shareholders' Meetings (Draft)**

Article 1 Shareholders' meeting of the Company, except as otherwise governed by the laws and regulations or the Articles of Incorporation, shall be proceeded in compliance with the rules and procedures set out herein.

Article 2 Shareholders' meeting of the Company, except as otherwise governed by the laws and regulations, shall be convened by the Board of Directors.

Article 3 The attendance of the meeting shall be counted based on the shares represented. Numbers of shares present at the meeting shall be counted based on registration book and attendance cards submitted along with voting powers exercised in writing or electronic form. The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of outstanding shares of the Company, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of outstanding shares of the Company, the chair shall declare the meeting adjourned.

Unless otherwise stipulated by the Company Act, resolutions of shareholders' meetings shall be reached by a majority of the shareholders who represent half or more of the total number of outstanding shares of the Company.

When the number of shareholders present does not constitute the quorum prescribed in the preceding Paragraph, but those present represent one third or more of the total number of outstanding shares of the Company, a tentative resolution may be passed by a majority of those present. Each of the shareholders shall be informed on such tentative resolution and a shareholders' meeting shall be reconvened within one month.

In the aforesaid shareholders' meeting, if the tentative resolution is again adopted by a majority of those present who represent one third or more of the total number of outstanding shares, such tentative resolution shall be deemed to be a formal resolution.

Article 4 The Company's rules and procedures for shareholders' meetings shall be held in accordance with Regulations Governing Content and Compliance Requirements for Shareholders' Meeting Agenda Handbooks of Public Companies.

Thirty days before the Company is to convene an annual shareholders' meeting and fifteen days before a special shareholders' meeting, the Company shall inform the shareholders on meeting notice and shareholders' meeting agenda. The meeting notice shall contain reasons for convening the meeting and may be presented in electronic form.

Election or discharge of directors; changes in the Articles of Incorporation; capital reduction; termination of public issuance; exemption of non-competition restrictions for directors; transfer of profits to capital increase; transfer of reserve to capital increase; dismissal, merge and demerger of the Company or issues regarding Article 185-1 of the Company Act; issues regarding Article 26-1, 43-6 of the Securities and Exchange Act and Article 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be listed in the reasons for convening the meeting with description and shall not be proposed as extempore motions.

When election of the board is held in a shareholders' meeting and the meeting notice contains a set inauguration date for the new board, such date shall not be altered after completion of the election either by an extempore motion or any other means in the same

meeting.

Shareholders holding one percent or more of the total number of outstanding shares of the Company may propose one proposal at most to annual shareholders' meeting in writing. In cases where a proposal contains more than one matter, such proposal shall not be included in the agenda.

Proposals with regard to Article 172-1, Paragraph 4 of the Company Act submitted by shareholders may not be listed as discussion items by the Board of Directors. Shareholders may submit a proposal regarding promotion of CSR by following the procedure cited in Article 172-1 of the Company Act, with the limitation of one CSR proposal per meeting. The rest, if any, will not be included in the agenda.

Prior to the book closure date before the convening of a regular shareholders' meeting, the Company shall give a public notice announcing acceptance of proposals, acceptable formats of proposal, the place and the period for shareholders to submit proposals to be discussed at the meeting; and the period for accepting such proposals shall not be less than ten days.

The number of words of a proposal submitted by a shareholder shall be limited to not more than three hundred words, and any proposal containing more than 300 words shall not be included in the agenda of shareholders' meetings. The shareholder who has submitted proposals shall attend, in person or by proxy, the regular shareholders' meeting whereat the submitted proposal are to be discussed and shall take part in the discussion of such proposals.

Before the day on which the meeting notice is announced, the Company shall inform the shareholder who has submitted proposals on the acceptance result and list the proposals in compliance with this article in the meeting notice. For proposals not included in the agenda, the Board of Directors shall make an explanation about exclusion of such proposals.

The agenda of shareholders' meetings shall be set by the Board of Directors when it is convened by the Board. All the proposals in the agenda shall be voted consecutively (including extempore motions and amendments.)

Unless otherwise resolved at shareholders' meetings, the meetings shall proceed in accordance with the agenda. Before all proposals, including extempore motions, listed in the agenda are resolved, the chair shall not announce adjournment of the meeting unless otherwise resolved. It also applies to a shareholders' meeting which is convened by persons, other than the Board, with the meeting calling right.

Article 5 Unless otherwise restricted or in the circumstances provided by Article 179-2 of the Company Act, a shareholder shall have one voting right in respect of each share of the Company in the shareholder's possession.

When a shareholder is government agency or corporate shareholder, it may designate more than one representative. The exercising of its voting power, however, is counted based on the number of shares it holds. In cases where two representatives are appointed, they shall exercise the voting rights jointly.

Prior to a shareholders' meeting is convened, a shareholder may appoint one proxy only to attend the meeting through a power of attorney issued by the Company stating therein the scope of power authorized to the proxy. Such power of attorney shall be delivered to the Company five days before the convening of the meeting. In cases where two or more written proxies are sent, the first one received by the Company shall prevail.

When a person acts as the proxy for two or more shareholders, the number of voting rights represented by the person shall not exceed 3 percent of the total number of voting rights of the Company, otherwise, the portion of excessive voting rights shall not be counted.

Article 6 Registration of shareholders, proceedings of shareholders' meetings, voting and vote counting shall be recorded in audio and video uninterruptedly by the Company and shall be retained for at least one year. When lawsuits are filed in pursuant to Article 189 of the

Company Act, the relevant audio or video record shall be retained until the conclusion of the litigation.

Article 7 When the chair at a shareholders' meeting deem that a proposal, amendment or extempore motion has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call a vote.

Article 8 When a shareholder present at a shareholders' meeting wishes to speak, a speech note shall be filled out with summary of the speech, the shareholder's number (or the number of attendance card) and the name of the shareholder. The order of speeches by shareholders shall be decided by the chair.

If any shareholder present at a shareholders' meeting submits a speech note but does not speak, no speech should be deemed to have been made by such shareholder. In cases where the contents of the speech of a shareholder are inconsistent with the contents of the speech note filled out, the contents of actual speech shall prevail.

Unless otherwise permitted by the chair, each shareholder shall not, for each discussion item, speak more than two times (each time not exceeding 5 minutes). In cases where the speech of any shareholder violates the above provision or exceeds the scope of the discussion item, the chair may stop the speech of such shareholder.

Unless otherwise permitted by the chair and the shareholder in speaking, no shareholder shall interrupt the speeches of the other shareholders, otherwise the chair shall stop such interruption.

If a corporate shareholder designates two or more representatives to present at a shareholders' meeting, only one representative can speak for each discussion item.

After the speech of a shareholder, the chair may respond in person or appoint an appropriate person to respond.

Article 9 When election is held in a shareholders' meeting, relevant rules of election set by the Company shall be followed and the election result, including list of director elected and voting rights obtained, shall be announced at the meeting.

Ballots of the aforesaid election shall be sealed with signatures by the persons to monitor and kept in proper custody for at least one year. When lawsuits are filed in pursuant to Article 189 of the Company Act, the relevant audio or video record shall be retained until the conclusion of the litigation.

Article 10 Resolutions of a shareholders' meeting shall be recorded in meeting minutes which shall bear the signature or seal of the chair and shall be distributed to each shareholders within 20 days after the meeting.

The aforesaid meeting minutes may be produced and distributed in electronic form.

Article 11 Numbers of shares that are solicited by solicitors and represented by proxy shall be presented in a statistical table in required format by the Company and shall be revealed explicitly at the venue of a shareholders' meeting.

Article 12 During a shareholders' meeting, the chair may announce an intermission at the chair's discretion. When an event of force majeure occurs, the chair may decide to suspend the meeting and announce the time for resumption of the meeting depending on the situation.

Before all discussion items listed in the agenda are resolved but venue for a shareholders' meeting becomes unavailable, the meeting may resolve to resume the meeting elsewhere.

Pursuant to Article 182 of the Company Act, shareholders' meeting may resolve to postpone or reconvene the meeting for not more than five days.

Article 13 Matters not specified herein shall be governed by the Company Act, the Securities and Exchange Act and the Articles of Incorporation and relevant regulations of the Company.

Article 14 The rules set forth herein shall take effect after approval by a shareholders' meeting; the same applies to amendments.

## Mapping of the Amended Provisions of the Company's Rules for Election of Directors and the Original Provisions

After amendment	Before amendment	Cause of amendment
<p>Article 10 (Delete)</p>	<p>Article 10 Duties of the persons to monitor the ballots are as follows. Check the ballot box used for voting in public before voting begins.</p> <ol style="list-style-type: none"> <li>1. Seal the ballot box when voting ends. Open the ballot box and hand the ballots to the persons to count at the moment of counting.</li> <li>2. Verify or determine if ballots are void.</li> <li>3. Verify the numbers of ballots and voting rights calculated by the persons to count.</li> <li>4. Maintain order of the election during ballot casting and counting.</li> </ol> <p>The aforesaid ballot box shall be prepared by the Board of Directors of the Company.</p>	<ol style="list-style-type: none"> <li>1. Delete the provision.</li> <li>2. The Company has entrusted by law its stock related affairs to a stock agency.</li> </ol>
<p>Article 11 (Delete)</p>	<p>Article 11 Voters shall fill in the "candidate" column information shown as follows from candidate list for the election of independent directors or non-independent directors and cast the ballot into the ballot box.</p> <ol style="list-style-type: none"> <li>1. If candidates are shareholders of the Company, candidates' names and account numbers shall be filled in. If candidates are not shareholders of the Company, candidates' names and ID numbers shall be filled in.</li> <li>2. If candidates are government agencies or corporate shareholders, full names and account numbers of the government agencies or corporate shareholders shall be filled in.</li> <li>3. If candidates are representatives designated by</li> </ol>	<ol style="list-style-type: none"> <li>1. Delete the provision.</li> <li>2. The Company has adopted the candidate nomination system for the election of directors by law.</li> </ol>

After amendment	Before amendment	Cause of amendment
	government agencies or corporate shareholders, full names and account numbers of the government agencies or corporate shareholders and names of the representatives shall be filled in. In cases where there are multiple representatives, names of the representatives shall be filled in respectively.	
<p><u>Article 10</u></p> <p>A ballot is void under any of the following circumstances:</p> <ol style="list-style-type: none"> <li>1. A ballot is not prepared by <u>persons with the meeting calling right.</u></li> <li>2. A ballot shows written characters in addition to the number of voting rights.</li> <li>3. A blank ballot.</li> <li>4. The writing on a ballot is unclear and indecipherable or has been altered; however, correction to the required information is not subject to the rule specified hereof.</li> <li>5. The candidates shown on the ballots are <u>inconsistent with the list of Director Candidates of the Board of Directors.</u></li> </ol>	<p><u>Article 12</u></p> <p>A ballot is void under any of the following circumstances:</p> <ol style="list-style-type: none"> <li>1. A ballot is not prepared by <u>the Board of Directors.</u></li> <li>2. A ballot shows written characters in addition to <u>candidates' names, shareholders' numbers (ID numbers) and the number of voting rights.</u></li> <li>3. <u>A ballot that is ripped and incomplete.</u></li> <li>4. A blank ballot.</li> <li>5. The writing on a ballot is unclear and indecipherable or has been altered; however, correction to the required information is not subject to the rule specified hereof.</li> <li>6. The candidates shown on the ballots are <u>shareholders, and the printed names or account names and account numbers are inconsistent with those given in the shareholder register.</u></li> <li>7. <u>The candidates shown on the ballots are not shareholders, and the printed names are inconsistent with their identity documents.</u></li> <li>8. <u>The candidates shown on the ballots are representatives designated by government agencies or corporate shareholders, and the printed names and account numbers of the government agencies or corporate shareholders are inconsistent with those given in the shareholder register.</u></li> <li>9. <u>The candidates shown</u></li> </ol>	<ol style="list-style-type: none"> <li>1. Amendment to the provision.</li> <li>2. Adjust the Article number accordingly due to the foregoing deletions.</li> <li>3. Streamline wordings to be consistent with the execution of the candidate nomination system.</li> </ol>

After amendment		Before amendment	Cause of amendment
		<u>on the ballots bear names same as other shareholders, and account numbers or ID numbers are not indicated for identification.</u> <u>10. The candidates for independent directors, non-independent directors or supervisors shown on the ballots are not listed in candidate list for the election.</u>	
<u>Article 11</u>	The ballots should be calculated immediately after the voting ends and results of the election, <u>including directors elected and voting rights they obtained, shall be announced by the chair at the meeting. The election shall be performed as cited in Article 9 of the Company's Rules for Election of Directors.</u> When questions about ballots are raised, the persons to monitor shall determine if the ballots are void. If disputes arise as to the decision by the persons to monitor, all monitoring personnel shall put it to a vote. The ballot shall be deemed void if numbers of votes for and against are the same.	<u>Article 13</u>  The ballots should be calculated immediately after the voting ends and results of the election <u>shall be announced by the chair at the meeting.</u>  When questions about ballots are raised, the persons to monitor shall determine if the ballots are void. If disputes arise as to the decision by the persons to monitor, all monitoring personnel shall put it to a vote. The ballot shall be deemed void if numbers of votes for and against are the same.	1. Amendment to the provision. 2. Adjust the Article number accordingly due to the foregoing deletions. 3. To elaborate on the provision.
<u>Article 12</u>	The Board of Directors of the Company shall issue notifications to the directors elected respectively.	<u>Article 14</u>  The Board of Directors of the Company shall issue notifications to the directors elected respectively.	Adjust the Article number accordingly due to the foregoing deletions.
<u>Article 13</u>	The rules set forth herein shall take effect after approval by a shareholders' meeting; the same applies to amendments.	<u>Article 15</u>  The rules set forth herein shall take effect after approval by a shareholders' meeting; the same applies to amendments.	Adjust the Article number accordingly due to the foregoing deletions.

## **Aerospace Industrial Development Corporation**

### **Rules for Election of Directors (Draft)**

- Article 1 Election of directors of the Company, except as otherwise governed by the laws and regulations or the Articles of Incorporation, shall be proceeded in compliance with the rules set out herein.
- Article 2 Election of directors shall take the constitution of the board into consideration. Board members shall have the necessary knowledge, skills, and experience to perform their duties; the abilities that must be present in the board as a whole are as follows:
1. Ability to make operational judgments.
  2. Ability to perform accounting and financial analysis.
  3. Ability to conduct business administration.
  4. Ability to conduct crisis management.
  5. Knowledge of the industry.
  6. An international market perspective.
  7. Ability to lead.
  8. Ability to make policy decisions.
- A spousal relationship nor a familial relationship within the second degree of kinship may not exist among more than half of the directors.
- Article 3 (Deleted)
- Article 4 Qualification and election of independent directors of the Company shall be compliant with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies and the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
- Article 5 Election of directors of the Company shall be conducted in accordance with Article 192-1 of the Company Act and the Articles of Incorporation of the Company.
- Election of independent directors and non-independent directors of the Company shall be held together, provided that the number of seats elected shall be calculated separately.
- When the number of directors is reduced to below five due to the discharge of directors for any reason, the Company shall hold a by-election to fill the vacancies at its next shareholders' meeting. When the number of directors is reduced to below one third of the total number, the Company shall convene a special shareholders' meeting within 60 days from the date of occurrence to hold a by-election to fill the vacancies.
- When the number of independent directors is reduced to below that required under the proviso of Article 14-2, Paragraph 1 of the Securities and Exchange Act, the Company shall hold a by-election to fill the vacancies at the next shareholders' meeting. When the independent directors are dismissed en masse, the Company shall convene a special shareholders' meeting within 60 days from the date of occurrence to hold a by-election to fill the vacancies.
- Article 6 In election of directors, cumulative voting system shall be adopted. Each share bears voting rights in number equal to the number of the seats to be elected, which may be voted for a single candidate or split among multiple candidates.

- Article 7 The Board of Directors of the Company shall prepare election ballots in number equal to the number of the seats to be elected, listing the attendance card number and the corresponding number of voting rights of shareholders. The election ballots shall be distributed to the common shareholders present at the shareholders' meeting.
- Attendance card numbers printed on the ballots, instead of the names of voting shareholders, shall be used to represent the voter.
- Ballots may not be distributed to common shareholders who cast votes through electronic form.
- Article 8 In the election of directors and non-independent directors of the Company, candidates who acquire more votes win the seats sequentially according to the numbers of votes they receive respectively. If two or more candidates acquire the same number of votes and the number of such candidates exceeds the specified seats available, such candidates acquiring the same votes shall draw lots to decide who should win the seats available, and the chair shall draw lots on behalf of the absent candidates.
- Article 9 Before the election begins, the chair shall appoint several persons from the shareholders present to monitor and count the ballots.
- The ballot box used for voting shall be prepared by the Board of Directors of the Company and checked in public by the persons to monitor the ballots before voting.
- Article 10 A ballot is void under any of the following circumstances:
1. A ballot is not prepared by persons with the meeting calling right.
  2. A ballot shows written characters in addition to the number of voting rights.
  3. A blank ballot.
  4. The writing on a ballot is unclear and indecipherable or has been altered; however, correction to the required information is not subject to the rule specified hereof.
  5. The candidates shown on the ballots are inconsistent with the list of Director Candidates of the Board of Directors.
- Article 11 The ballots should be calculated immediately after the voting ends and results of the election, including directors elected and voting rights they obtained, shall be announced by the chair at the meeting. The election shall be performed as cited in Article 9 of the Company's Rules for Election of Directors.
- When questions about ballots are raised, the persons to monitor shall determine if the ballots are void. If disputes arise as to the decision by the persons to monitor, all monitoring personnel shall put it to a vote. The ballot shall be deemed void if numbers of votes for and against are the same.
- Article 12 The Board of Directors of the Company shall issue notifications to the directors elected respectively.
- Article 13 The rules set forth herein shall take effect after approval by a shareholders' meeting; the same applies to amendments.



Attachment VIII

## Mapping of the Amended Provisions of the Company's Articles of Incorporation and the Original Provisions

After amendment		Before amendment		Cause of amendment
Article 2	<p>The scope of business of the Corporation shall be as follows:</p> <ol style="list-style-type: none"> <li>1. CB01010 Machinery and Equipment Manufacturing</li> <li>2. CD01060 Aircraft and Parts Manufacturing</li> <li>3. I101100 Aviation Consultancy</li> <li>4. JE01010 Rental and Leasing Business</li> <li>5. IG03010 Energy Technical Services</li> <li>6. CD01020 Tramway Cars Manufacturing</li> <li>7. I599990 Other Designing</li> <li>8. I199990 Other Consultancy</li> <li>9. CB01030 Pollution Controlling Equipment Manufacturing</li> <li>10. F113100 Wholesale of Pollution Controlling Equipment.</li> <li>11. E605010 Computing Equipment Installation Construction</li> <li>12. G502011 Aviation</li> <li>13. F401010 International Trade</li> </ol> <p>(Delete)</p> <ol style="list-style-type: none"> <li><u>14.</u> E701030 Restrained Telecom Radio Frequency Equipment and Materials Construction</li> <li><u>15.</u> E606010 Electricity Equipment Checking and Maintenance</li> <li><u>16.</u> I103060 Management Consulting Services</li> <li><u>17.</u> I401010 General Advertising Services</li> </ol>	Article 2	<p>The scope of business of the Corporation shall be as follows:</p> <ol style="list-style-type: none"> <li>1. CB01010 Machinery and Equipment Manufacturing</li> <li>2. CD01060 Aircraft and Parts Manufacturing</li> <li>3. I101100 Aviation Consultancy</li> <li>4. JE01010 Rental and Leasing Business</li> <li>5. IG03010 Energy Technical Services</li> <li>6. CD01020 Tramway Cars Manufacturing</li> <li>7. I599990 Other Designing</li> <li>8. I199990 Other Consultancy</li> <li>9. CB01030 Pollution Controlling Equipment Manufacturing</li> <li>10. F113100 Wholesale of Pollution Controlling Equipment.</li> <li>11. E605010 Computing Equipment Installation Construction</li> <li>12. G502011 Aviation</li> <li>13. F401010 International Trade</li> <li><u>14. F401021 Restrained Telecom Radio Frequency Equipment and Materials Import</u></li> <li><u>15.</u> E701030 Restrained Telecom Radio Frequency Equipment and Materials Construction</li> <li><u>16.</u> E606010 Electricity Equipment Checking and Maintenance</li> <li><u>17.</u> I103060 Management Consulting Services</li> <li><u>18.</u> I401010 General Advertising Services</li> </ol>	<ol style="list-style-type: none"> <li>1. Amendment to the provision.</li> <li>2. Adjust the item numbers accordingly due to the deletion of item 14 and the correction of business code number of item 26.</li> <li>3. Add new business codes to enable business expansion and, as a result, adjust item number 37 to number 48 accordingly.</li> </ol>

After amendment	Before amendment	Cause of amendment
<p><u>18.</u> JB01010 Exhibition Services</p> <p><u>19.</u> CF01011 Medical Materials and Equipment Manufacturing</p> <p><u>20.</u> F108031 Wholesale of Drugs, Medical Goods</p> <p><u>21.</u> F208031 Retail sale of Medical Equipment</p> <p><u>22.</u> D101060 Self-Usage Power Generation Equipment Utilizing Renewable Energy Industry</p> <p><u>23.</u> D101050 Steam and Electricity Para Genesis</p> <p><u>24.</u> CC01010 Electric Power Supply, Electric Transmission and Power Distribution Machinery Manufacturing</p> <p><u>25.</u> <u>CC01100</u> Restrained Telecom Radio Frequency Equipment and Materials Manufacturing</p> <p><u>26.</u> CC01060 Wired Communication Equipment and Apparatus Manufacturing</p> <p><u>27.</u> CC01070 Telecommunication Equipment and Apparatus Manufacturing</p> <p><u>28.</u> F501990 Other Eating and Drinking Places Not Elsewhere Classified</p> <p><u>29.</u> H703100 Real Estate Rental and Leasing</p> <p><u>30.</u> CD01030 Automobiles and Parts Manufacturing</p> <p><u>31.</u> I301010 Software Design Services</p> <p><u>32.</u> J202010 Industry Innovation and Incubation Services</p> <p><u>33.</u> F107090 Wholesale of Industrial Explosives</p> <p><u>34.</u> F107060 Toxic and Concerned Chemical Substances Wholesale Trade</p> <p><u>35.</u> E603050 Cybernation Equipment Construction</p>	<p><u>19.</u> JB01010 Exhibition Services</p> <p><u>20.</u> CF01011 Medical Materials and Equipment Manufacturing</p> <p><u>21.</u> F108031 Wholesale of Drugs, Medical Goods</p> <p><u>22.</u> F208031 Retail sale of Medical Equipment</p> <p><u>23.</u> D101060 Self-Usage Power Generation Equipment Utilizing Renewable Energy Industry</p> <p><u>24.</u> D101050 Steam and Electricity Para Genesis</p> <p><u>25.</u> CC01010 Electric Power Supply, Electric Transmission and Power Distribution Machinery Manufacturing</p> <p><u>26.</u> <u>CC01101</u> Restrained Telecom Radio Frequency Equipment and Materials Manufacturing</p> <p><u>27.</u> CC01060 Wired Communication Equipment and Apparatus Manufacturing</p> <p><u>28.</u> CC01070 Telecommunication Equipment and Apparatus Manufacturing</p> <p><u>29.</u> F501990 Other Eating and Drinking Places Not Elsewhere Classified</p> <p><u>30.</u> H703100 Real Estate Rental and Leasing</p> <p><u>31.</u> CD01030 Automobiles and Parts Manufacturing</p> <p><u>32.</u> I301010 Software Design Services</p> <p><u>33.</u> J202010 Industry Innovation and Incubation Services</p> <p><u>34.</u> F107090 Wholesale of Industrial Explosives</p> <p><u>35.</u> F107060 Toxic and Concerned Chemical Substances Wholesale Trade</p> <p><u>36.</u> E603050 Cybernation Equipment Construction</p>	

After amendment	Before amendment	Cause of amendment
<p><u>36. CA02030 Screw, Nut and Rivet Manufacturing</u></p> <p><u>37. CA02060 Metal Containers Manufacturing</u></p> <p><u>38. CA02990 Other Metal Products Manufacturing</u></p> <p><u>39. CA03010 Heat Treatment</u></p> <p><u>40. CA04010 Surface Treatments</u></p> <p><u>41. CB01990 Other Machinery Manufacturing</u></p> <p><u>42. CC01020 Electric Wires and Cables Manufacturing</u></p> <p><u>43. CC01080 Electronics Components Manufacturing</u></p> <p><u>44. CC01110 Computer and Peripheral Equipment Manufacturing</u></p> <p><u>45. CC01990 Other Electrical Engineering and Electronic Machinery Equipment Manufacturing</u></p> <p><u>46. CD01990 Other Transport Equipment and Parts Manufacturing</u></p> <p><u>47. CQ01010 Mold and Die Manufacturing</u></p> <p><u>48. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval</u></p>	<p><u>37. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.</u></p>	
<p>Article 30 The Articles of Incorporation of AIDC was instituted on March 5, 1996, with amendment for the 1<sup>st</sup> instance on June 14, 1996, the 2<sup>nd</sup> amendment was incorporated on June 24, 1996, ... .., the 23<sup>rd</sup> amendment was incorporated on May 31, 2019, the 24<sup>th</sup> amendment was incorporated on May 29, 2020, <u>and the 25<sup>th</sup> amendment was incorporated on May 28, 2021.</u></p>	<p>Article 30 The Articles of Incorporation of AIDC was instituted on March 5, 1996, with amendment for the 1<sup>st</sup> instance on June 14, 1996, the 2<sup>nd</sup> amendment was incorporated on June 24, 1996, ... .., the 23<sup>rd</sup> amendment was incorporated on May 31, 2019, and the 24<sup>th</sup> amendment was incorporated on May 29, 2020.</p>	<p>1. Amendment to the provision. 2. Addition of the note on amendment (25<sup>th</sup> instance) and the date of amendment.</p>

# **Aerospace Industrial Development Corporation**

## **The Articles of Incorporation (Draft)**

### **Chapter I General Provisions**

- Article 1 The Corporation shall be incorporated, as a company limited by shares, under the Company Act of the Republic of China, and its name shall be 漢翔航空工業股份有限公司 in the Chinese language, and AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION in the English language.
- Article 2 The scope of business of the Corporation shall be as follows:
1. CB01010 Machinery and Equipment Manufacturing
  2. CD01060 Aircraft and Parts Manufacturing
  3. I101100 Aviation Consultancy
  4. JE01010 Rental and Leasing Business
  5. IG03010 Energy Technical Services
  6. CD01020 Tramway Cars Manufacturing
  7. I599990 Other Designing
  8. I199990 Other Consultancy
  9. CB01030 Pollution Controlling Equipment Manufacturing
  10. F113100 Wholesale of Pollution Controlling Equipment.
  11. E605010 Computing Equipment Installation Construction
  12. G502011 Aviation
  13. F401010 International Trade
  14. E701030 Restrained Telecom Radio Frequency Equipment and Materials Construction
  15. E606010 Electricity Equipment Checking and Maintenance
  16. I103060 Management Consulting Services
  17. I401010 General Advertising Services
  18. JB01010 Exhibition Services
  19. CF01011 Medical Materials and Equipment Manufacturing
  20. F108031 Wholesale of Drugs, Medical Goods
  21. F208031 Retail sale of Medical Equipment
  22. D101060 Self-Usage Power Generation Equipment Utilizing Renewable Energy Industry
  23. D101050 Steam and Electricity Para Genesis
  24. CC01010 Electric Power Supply, Electric Transmission and Power Distribution
  25. CC01100 Machinery Manufacturing
  26. CC01100 Restrained Telecom Radio Frequency Equipments and Materials Manufacturing
  27. CC01060 Wired Communication Equipment and Apparatus Manufacturing
  28. CC01070 Telecommunication Equipment and Apparatus Manufacturing
  29. F501990 Other Eating and Drinking Places Not Elsewhere Classified
  30. H703100 Real Estate Rental and Leasing
  31. CD01030 Automobiles and Parts Manufacturing
  32. I301010 Software Design Services
  33. J202010 Industry Innovation and Incubation Services
  34. F107090 Wholesale of Industrial Explosives
  35. F107060 Toxic and Concerned Chemical Substances Wholesale Trade
  36. E603050 Cybernation Equipments Construction
  37. CA02030 Screw, Nut and Rivet Manufacturing
  38. CA02060 Metal Containers Manufacturing
  39. CA02990 Other Metal Products Manufacturing
  40. CA03010 Heat Treatment
  41. CA04010 Surface Treatments
  42. CB01990 Other Machinery Manufacturing
  43. CC01020 Electric Wires and Cables Manufacturing

	43. CC01080	Electronics Components Manufacturing
	44. CC01110	Computer and Peripheral Equipment Manufacturing
	45. CC01990	Other Electrical Engineering and Electronic Machinery Equipment Manufacturing
	46. CD01990	Other Transport Equipment and Parts Manufacturing
	47. CQ01010	Mold and Die Manufacturing
	48. ZZ99999	All business items that are not prohibited or restricted by law, except those that are subject to special approval.
Article 3	As business may require, the Company may provide guarantee according to the Company's warranty principles.	
Article 4	The Company is located in Taichung City. It may establish subsidiaries in and out the country where and when necessary with approval from the Board of Directors.	
Article 5	The Company's public announcements shall be made according to Article 28 of the Company Act.	
Article 6	When the Company performs reinvestment to become a limited liability shareholder, the total investment amount must not exceed 60% of the paid-up capital.	
<b>Chapter II Shares</b>		
Article 7	The total capital of the Company is 15 billion NT dollars in 1.5 billion shares and NT\$10 per share. The shares may be issued in separate batches to the public.	
Article 8	All company stock shares are registered. Their issuance shall be in accordance with Article 162 of the Company Act and is to be legitimately certified by an endorsement bank. The Company may issue non-printed stock shares and the public shall register the acquired stock shares with the Taiwan Depository & Clearing Corporation through their securities dealers.	
Article 9	The execution and management of stock share issuing is conducted according to the Government's "Criteria Governing Handling of Stock Affairs by Public Stock Companies".	
Article 10	Activities of stock share transfers are prohibited under the following timeframes: within 60 days prior to the shareholders' general meeting; within 30 days prior to the provisional shareholders' meeting; and within 5 days of the determined record date on which dividends or other benefits are to be distributed. The aforementioned times are initiated based on the date of meeting or the date of record.	
<b>Chapter III Shareholders' Meeting</b>		
Article 11	There are general and provisional meetings for the shareholders. General shareholders' meeting is called six months from the end of the previous fiscal year by the Board of Directors, whereas provisional shareholders' meeting is held whenever necessary according to applicable regulations.	
Article 12	The shareholders' meeting is assembled according to the Company Act, the Securities & Exchange Act, and applicable regulations.	
Article 13	Except when otherwise regulated in the Company Act, resolutions shall be approved by more than half of the votes from the attending shareholders, who collectively hold more than half of the total number of outstanding stock shares issued.	
Article 14	The shareholder's each share stands for one count of vote, unless otherwise regulated in Item 2, Article 197 of the Company Act.	
Article 15	The Company shall follow the procedures cited in the "Rules for Public Offering Company with Shareholders Using the Power of Attorney" for its shareholders who are unable to attend the shareholders' meeting.	
Article 16	When Shareholders' meeting is called by the Board of Directors, the Chairman is the chairperson of the shareholders' meeting. The Chairman shall assign one of the executive directors as proxy when the Chairman is on leave or unable to perform this task. If the assignment is not being made, the executive directors shall elect a director among themselves to chair the shareholders' meeting.	

- For meetings whose convener is not a member of the BOD, the one who convenes the meeting shall be the chairperson of the shareholders' meeting. If there are more than one conveners, they shall elect one among themselves.
- Article 17 Resolutions of shareholders' meeting shall be recorded in meeting minutes; signed by the chairperson; and distributed to the shareholders within 20 days after the shareholders' meeting.
- Such meeting minutes may be generated in the form of an electronic file and may be distributed through public announcement.
- Article 17-1 Shall the Company decide to terminate public offerings in the future, Article 156-2 of the Company Act shall be followed.

#### **Chapter IV The Board of Directors and the Committees**

- Article 18 The company has 11 seats of Directors of whom 3 shall be Executive Directors elected among the Directors. One of the 3 Executive Directors shall be the Independent Director. The Chairman shall be elected among the Executive Directors. Directors may be excused from any Board session with appointment of another Director as the proxy to attend the meeting with the scope of authorization specified.
- When the Board is in recess, the Executive Directors shall keep the Board in function in accordance with applicable legal rules, the Articles of Incorporation of AIDC, the resolution of the General Meeting of Shareholders, and the resolutions of the Board. The Chairman may call for special session at any time necessary and the presence of Directors representing half of the total seats shall qualify for a quorum and resolution can be made by a simple majority of the Directors attending the session.
- Article18-1 The number of seats for Independent Directors as mentioned in the preceding article shall be at least 3. The professional qualification, quantity of shareholding, restriction on holding other positions, method of nomination, and other particulars to follow shall be subject to the regulations of the competent authority.
- Article18-2 AIDC Directors shall be elected in accordance with a nomination system as specified in the Company Act of ROC. A list of prospective candidates of directors shall be proposed before the General Meeting of Shareholders, and directors shall be elected among the candidates on the list. AIDC will elect its Directors by the accumulation of individual votes whereby each stock share has legitimate votes relevant with the number of seats for the Directors. Each shareholder may vote in favor of a particular candidate with all his/her votes on hand or distribute his/her votes equally to a number of preferred candidates. Candidates winning the majority of the votes shall be elected as members on the Board of Directors.
- Independent and non-independent directors shall be nominated separately and elected at the same time. The numbers of elected independent and non-independent directors shall be calculated separately.
- To reduce of the legal liability risk of the Directors, the company shall provide appropriate professional liability insurance for each Director for the protection of their respective duties.
- Article 19 The Board shall specify the reason for convening the meeting and shall inform all the Directors and Supervisors 7 days in advance. The Board may call for special sessions at any time where necessary.
- The Board may give notice of meeting in correspondence or electronic means.
- Article 20 The Directors of AIDC shall each have a term of office for 3 years and may assume a second term as Director if reelected.
- The remuneration to the aforementioned Directors (including the Chairman, Independent Directors) shall be commensurate with their respective levels of participation in the operation of and contribution to the company with reference to industry level at home and abroad subject to the finalization of the Board.
- The Chairman shall be entitled to a subsidy at the same level of the employees in remuneration. The Labor Standards Act shall be applicable to the Chairman in pension payment for resignation (retirement) irrespective of the limitation of the term of service or age.

- Article 21 The Board of AIDC shall perform the following functions:
1. Planning for the adjustment of capital status and direct investment.
  2. The approval of the organization code and management regulations of AIDC.
  3. Approval of the long, mid, and short-term plans, business policy and annual plans.
  4. Approval of company budget and account settlement.
  5. Approval of unbudgeted long-term loans and the issuance of corporate bonds.
  6. Approval of the disposition or exchange of lands, buildings, and essential machinery and equipment.
  7. Approval of repair and renovation works, and the procurement of properties exceeding the authorized limit of the Board.
  8. The appointment and discharge of personnel at the level senior to vice presidents, chief financial officer, chief accounting officer, and the chief of internal auditing.
  9. Approval of the salary scale and fringe benefits for the employees.
  10. Any other duties as required by law.
- Further to the aforementioned scope, the duties of Independent Directors shall be determined separately subject to the approval of the Board before coming into effect.
- Article 22 The company established the Auditing Committee pursuant to Article 14-4 of the Securities and Exchange Act with committee members consisting of all Independent Directors of the company. The number of members, the term of office, the authority, and parliamentary rules of the Auditing Committee and the kind of resources available from the company at the time of performing their duties shall be determined in the organization code of the Auditing Committee.
- The number of members, the term of office, the authority, and parliamentary rules of the Remuneration Committee and the kind of resources available from the company at the time of performing their duties shall be determined in the organization code of the Remuneration Committee.
- Article 23 The Company shall establish a Remuneration Committee.
- The number of members, the term of office, the authority, and parliamentary rules of the Remuneration Committee and the kind of resources available from the company at the time of performing their duties shall be determined in the organization code of the Remuneration Committee.
- Chapter V Managers and Staff**
- Article 24 The president of the Company oversees the management and businesses of the company according to the operational guidelines of the BOD. Three to seven seats of senior vice presidents shall be nominated to support the president.
- The appointment, discharge, and remuneration of the aforementioned executives shall be conducted according to Article 29 of the Company Act.
- Article 25 (Deleted )
- Article 26 Unless regulated by legal rules or specified in the employment contract or agreement, the employment and discharge of employees shall be conducted according to the Company's applicable rules and regulations for human resources management.
- Chapter VI Financial Report**
- Article 27 The fiscal period of the Company shall start on January 1 and end on December 31 of each calendar year. The calendar year shall be expressed as the year of the Republic of China. At the end of each fiscal year, the Board shall compile the following ledgers and statements and forward to the Auditing Committee for auditing 30 days before the session of the General Meeting of Shareholders, and presented before the General Meeting session for ratification:
1. Report on Operation.
  2. Financial Statement
  3. Proposal for distribution of earnings or allocation of earnings for covering losses carried forward.

Article 28 An amount not less than 0.58% and not more than 4.65% shall be allocated from the company's annual net profits as employee bonus, and not more than 0.58% as remuneration for the directors of the Board. However, if there are accumulated losses, the amount to offset the losses shall be deducted resulting in a corresponding reduction in the bonus/remuneration allocation.

Article 28-1 This corporation shall not pay dividends or bonuses when there is no profit. When allocating the net profits for each fiscal year, the sequence shall be as follows: taxes payment; offset of losses in previous years; in addition to that the legal profit reserve equals to the total capital of the Corporation, a legal capital reserve at 10% of the profits leftover shall be set aside; set aside special capital reserve in accordance with relevant laws or regulations. Any balance left over shall be allocated according to the following principles per resolution of the shareholders' meeting:

1. Profits may be distributed by taking financial, business and operational factors into consideration.
2. Profits of this corporation may be distributed by way of issuance of cash dividends and/or stock dividends. Since this Corporation is in a capital-intensive industry, distribution of profits shall be made preferably by way of issuance of cash dividends. Distribution of profits may also be made by way of issuance of stock dividends, provided however, the ration for stock dividends shall not exceed 50% of total distribution.

In case there is no profit for distribution in a certain year, or the profit of a certain year is far less than the profit actually distributed by this Corporation in the previous year, or in consideration of financial, business, operational, or other related factors of this Corporation, the Company may allocate a portion or all of its reserves for distribution in accordance with relevant laws or regulations or the orders of the authorities in charge.

#### **Chapter VII Supplemental Provisions**

Article 29 Matters that are not covered in the Articles shall be ruled according to the Company Act.

Article 30 The Articles of Incorporation of AIDC was instituted on March 5, 1996, with amendment for the 1<sup>st</sup> instance on June 14, 1996, the 2<sup>nd</sup> amendment was incorporated on June 24, 1996, the 3<sup>rd</sup> amendment was incorporated on May 29, 1997, the 4<sup>th</sup> amendment was incorporated on September 23, 1997, the 5<sup>th</sup> amendment was incorporated on November 24, 1998, the 6<sup>th</sup> amendment was incorporated on May 25, 1999, the 7<sup>th</sup> amendment was incorporated on November 2, 1999, the 8<sup>th</sup> amendment was incorporated on January 20, 2000, the 9<sup>th</sup> amendment was incorporated on June 12, 2001, the 10<sup>th</sup> amendment was incorporated on September 6, 2001, the 11<sup>th</sup> amendment was incorporated on June 6, 2002, the 12<sup>th</sup> amendment was incorporated on June 16, 2004, the 13<sup>th</sup> amendment was incorporated on June 15, 2005, the 14<sup>th</sup> amendment was incorporated on May 2, 2006, the 15<sup>th</sup> amendment was incorporated on August 26, 2008, the 16<sup>th</sup> amendment was incorporated on April 19, 2010, the 17<sup>th</sup> amendment was incorporated on September 17, 2013, the 18<sup>th</sup> amendment was incorporated on April 3, 2014, the 19<sup>th</sup> amendment was incorporated on October 17, 2014, the 20<sup>th</sup> amendment was incorporated on June 23, 2015, the 21<sup>st</sup> amendment was incorporated on June 14, 2016, the 22<sup>nd</sup> amendment was incorporated on June 14, 2017, the 23<sup>nd</sup> amendment was incorporated on May 31, 2019, the 24<sup>th</sup> amendment was incorporated on May 29, 2020, and the 25<sup>th</sup> amendment was incorporated on May 28, 2021.



### Candidates of the 9<sup>th</sup> Board of Directors of Aerospace Industrial Development Corp. (AIDC)

Category	Name	Title	Experience/Education	Shareholding	Representation
Director	Hu, Kai-Hung	Chairman, AIDC	Vice Chief of the General Staff, Ministry of National Defense (MND); Inspector General, MND; Vice Commander-in-Chief, Air Force Command; Commander, Air Force Education, Training and Doctrine Development Command; Deputy Chief of Staff, Air Force Command; Director, Combat Readiness and Training Division, Air Force Command; Wing Commander, the 427th Tactical Fighter Wing, Air Force; Director of the Board, Industrial Technology Research Institute; Chairman, Taiwan Aerospace Industry Association; Joint Force Education, National Defense University; General Staff College of National Defense University; Air Force Academy	331,301,773	Ministry of Economic Affairs
Director	Ma, Wan-June	President and Director of AIDC	Vice President, National Chung-Shan Institute of Science and Technology (NCSIST); Director, Aeronautical Systems Research Division, NCSIST; General Director of Aeronautical Systems Research Division, NCSIST Deputy General Director of Systems Development Center, NCSIST Project Leader of Systems Development Center, NCSIST Chairman, Aeronautical & Astronautical Society of ROC; Member of the Advisory Committee, Management college, National Defense University; Director of the Board, Metal Industries Research & Development Center; Executive Director, Taiwan Aerospace Industry Association; Ph.D. in Power Mechanical Engineering, National Tsing Hua University; Master in Mechanical Engineering, National Central University; B.S. in Aeronautics and Astronautics, National Cheng Kung University	331,301,773	Ministry of Economic Affairs

Category	Name	Title	Experience/Education	Shareholding	Representation
Director	Liou, Ming-Jong	Director, State-owned Enterprise Commission Affairs, MOEA; Director, China Steel Corporation; Director, AIDC	Director, Ministry of Economic Affairs Standards Inspection Bureau; Counselor, Ministry of Economic Affairs; Director, State-owned Enterprise Commission Affairs, MOEA; Director of the Board, China Steel Corporation; Director of the Board, Tang Eng Iron Works Co.,Ltd; Director of the Board, CSBC Corporation; Director of the Board, Vanguard International Semiconductor Corporation; Director of the Board, RSEA Engineering Corporation; Director of the Board, Taiwan Aerospace Corporation; Director of the Board, Hui Ju Investment Corporation; Supervisor, Taiwan Water Corporation; Supervisor, CTCI Foundation (formerly known as China Technical Consultants Inc.); Member, Yaohua Glass Corporation Management Board; Ph.D., Industrial Management, National Taiwan University of Science and Technology University; M.S., Operation Research, Stanford University (USA); B.S., Chemical Engineering, National Taiwan University	331,301,773	Ministry of Economic Affairs
Director	Chang, Ming-Pin	Executive Secretary, Investment Commission, MOEA; CEO, Invest in Taiwan, MOEA Director, Kuo Kuang Power Co., LTD; Director, AIDC	Vice Executive Secretary and Spokesperson, Investment Commission, MOEA; Commissioner, Review Committee, National Development Fund, Executive Yuan; Member, Examination Committee for Establishment Application of Business Entity in the Economic Processing Zone; Master of Laws, Edinburgh University (Scotland); Bachelor of Laws, National Taiwan University; Executive Leadership Program, Harvard University (USA)	331,301,773	Ministry of Economic Affairs
Director	Shieu, Fuh-Sheng	President, National Chung Hsing University Director, AIDC	Distinguished Professor, National Chung Hsing University (NCHU) Dean, College of Engineering, NCHU; Chairman, Department of Materials Science and Engineering, NCHU; Chairman, Institute of Materials Engineering, NCHU; Director, Office of R&D, NCHU;	331,301,773	Ministry of Economic Affairs

Category	Name	Title	Experience/Education	Shareholding	Representation
			Director of the Board, Industrial Technology Research Institute; Chairman, College Entrance Examination Center Foundation; Chairman, Taiwan Industrial Technology Association; Master and Ph.D. in Materials Science and Engineering, Cornell University (USA); B.S. in Materials Science and Engineering, National Tsing Hua University		
Director	Yu, Cheng-Tao	Chairman, Aerospace Industrial Development Corporation Labor Union in Taichung; Director, AIDC	Quality Assurance Engineer, AIDC; Assistant Professor, National Taichung University of Science & Technology; Ph.D. in Industrial Engineering and Management, National Yunlin University of Science and Technology; Master in Industrial Engineering, Feng Chia University	331,301,773	Ministry of Economic Affairs
Director	Lee, Ming-Li	Foreman, Parts Maintenance Unit, Aircraft Maintenance Plant, AIDC	Foreman, Wire Production Unit, Aircraft Maintenance Plant, AIDC; Director, Aerospace Industrial Development Corporation Labor Union in Taichung; Bachelor of Business Administration, Information Management, Ling Tung Institute of Technology	331,301,773	Ministry of Economic Affairs
Director	Shiu, Yan-Pu	Administrative Deputy Minister, Ministry of National Defense; Director, AIDC	Administrative Deputy Minister, Ministry of National Defense (MND); Vice Chief of General Staff, MND; Chief of General Staff, 8th Army Command of R.O.C Army; Commander, 6th Army Command of R.O.C Army; Commander, Lan Yang Area Command of R.O.C Army; Commander, 21st Artillery Command of R.O.C Army; Master in Information Management, Yuan Ze University; Military Academy	11,063,201	National Defense Industrial Development Foundation
Independent Director	Chan, Chia-Chang	Vice President of Tunghai University and Professor of Department of Finance; Independent Director, Mobiletron Co., Ltd.; Independent Director, AIDC	Chief Secretary, Chair of Department of Finance, Director of Extension Education Center, Dean of College of Management, Tunghai University; Chair of Department of Finance, Providence University; Member of the Remuneration committee and Convener of the Audit Committee, Mobiletron Co., Ltd.; Member of the Remuneration committee and Convener of the Audit Committee, AIDC; Ph.D. in Business Administration, National Sun Yat-Sen University	0	-

Category	Name	Title	Experience/Education	Shareholding	Representation
Independent Director	Chen, Yin-Chin	Associate Professor, Department of Financial and Economic Law, Chung Yuan Christian University; Independent Director, AIDC	Chair of Department of Financial and Economic Law, Chung Yuan Christian University; Associate Professor, Department of Public Finance and Taxation, Takming University of Science and Technology; Commissioner, Fair Trade Commission; Commissioner, Complaint Review Board for Government Procurement, Public Construction Commission Executive Yuan; Advisory, Department of Nuclear Regulation, Atomic Energy Council; Advisory, Advisory Committee on Handling of State Compensation Cases, Atomic Energy Council; Commissioner, Complaint Review Board for Government Procurement, Taoyuan City Government; Commissioner, Medical Review Board, Health Bureau; Commissioner, Laws and Regulations Committee, MOEA; Commissioner, International Trade Commission, MOEA; Commissioner, Complaint Review Board, Ministry of National Defense; Advisory, Advisory Committee on Handling of State Compensation Cases, Ministry of National Defense; Advisory, Advisory Committee on Handling of State Compensation Cases, Army Command Headquarters; Advisory, Advisory Committee on Handling of State Compensation Cases, Taipei City Government; Commissioner, Listing Review Committee of Taiwan Stock Exchange Corporation; Commissioner, Mainboard Listing Review Committee of Taipei Exchange (GreTai Securities Market); Supervisor, Andes Technology Corporation (Representative of National Development Fund, Executive Yuan); Supervisor, Light's American Sportscopter Inc. (Representative of National Development Fund, Executive Yuan); Director of the Board, CSBC CORP., Taiwan (Representative of MOEA); Ph. D of Laws, National Chung Hsing University	0	-
Independent Director	Lien, Li-Jen	Lawyer, Gongxin United Law Firm; Independent Director, Bank of Kaohsiung; Independent Director, AIDC	Attorney-at-law Councilor, Kaohsiung City Council; Litigation Agent of Taiwan Land Bank; Legal Adviser, Kaohsiung City Council and Kaohsiung County Government; Chairman, Branch in Kaohsiung and Pingtung County, Consumer's Foundation Chinese Taipei; Legal Adviser, Labor Union of Kaohsiung City; Honorary Legal Adviser, Small and Medium Enterprise Administration, Ministry of Economic Affairs;	0	-

Category	Name	Title	Experience/Education	Shareholding	Representation
			Manager, Jihe Entertainment Co., Ltd; Master in Political Science, National Sun Yat-sen University, Taiwan; Bachelor of Laws, National Chung Hsing University		

### Exemption of Restrictions for Directors

Director Name	Other companies and position	Scope of the company's business	
Liou, Ming-Jong	Director, China Steel Corporation (Representative of MOEA)	CA01010	Iron and Steel Smelt
		CA01030	Iron and Steel Casting
		CA01020	Iron and Steel Rolling and Extruding
		CA01050	Steel Secondary processing
		CA02080	Metal Forging
		CA03010	Heat Treatment
		CA04010	Surface Treatments
		E103101	Environmental Protection Works Specialized Construction Enterprises
		E602011	Refrigeration and Air Conditioning Engineering
		CB01010	Mechanical Equipment Manufacturing
		CC01010	Manufacture of Power Generation, Transmission and Distribution Machinery
		E604010	Machinery Installation
		ZZ99999	All business items that are not prohibited or restricted by law, except those that are subject to special approval.
Chang, Ming-Pin	Director, Kuo Kuang Power Co., LTD. (Representative of CPC Corp.)	D101011	Electric Power Generation
		D101050	Combined Heat and Power
		E604010	Machinery Installation
		F113010	Wholesale of Machinery
		F213080	Retail Sale of Machinery and Tools
		F113020	Wholesale of Electrical Appliances
		F213010	Retail Sale of Electrical Appliances
Chan, Chia-Chang	Independent Director, Mobiletron Co., Ltd.	C805050	Industrial Plastic Products Manufacturing
		CB01010	Machinery and Equipment Manufacturing
		CC01010	Manufacture of Power Generation, Transmission and Distribution Machinery
		CC01040	Lighting Facilities Manufacturing
		CC01080	Electronics Components Manufacturing
		CC01990	Other Electrical Engineering and Electronic Machinery Equipment Manufacturing
		CD01030	Motor Vehicles and Parts Manufacturing
		CD01040	Motorcycles and Parts Manufacturing
		CE01010	General Instrument Manufacturing
		CP01010	Hand Tool Manufacturing
		CC01101	Controlled Telecommunications Radio-Frequency Devices and Materials Manufacturing
		F401021	Restrained Telecom Radio Frequency Equipment and Materials Import
		F113010	Wholesale of Machinery
		F213080	Retail Sale of Machinery and Tools

Director Name	Other companies and position	Scope of the company's business
		<p>F113030 Wholesale of Precision Instruments</p> <p>F213040 Retail Sale of Precision Instruments</p> <p>F106010 Wholesale of Hardware</p> <p>F206010 Retail Sale of Hardware</p> <p>F114030 Wholesale of Motor Vehicle Parts and Motorcycle Parts, Accessories</p> <p>F214030 Retail Sale of Motor Vehicle Parts and Motorcycle Parts, Accessories</p> <p>F119010 Wholesale of Electronic Materials</p> <p>F219010 Retail Sale of Electronic Materials</p> <p>F113990 Wholesale of Other Machinery and Tools</p> <p>F213990 Retail Sale of Other Machinery and Equipment</p> <p>CC01090 Retail Sale of Other Machinery and Tools</p> <p>I301010 Information Software Services</p> <p>IG03010 Energy Technical Services</p> <p>JE01010 Rental and Leasing</p> <p>ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.</p>

# Appendixes



## **Aerospace Industrial Development Corporation**

### **Rules and Procedures of Shareholders' Meetings (Original)**

Formulated by the 2<sup>nd</sup> Promoters' Meeting on June 14, 1996  
Amended by 2002 Annual Shareholders' Meeting on June 6, 2002  
Amended by 2014 3<sup>rd</sup> Special Shareholders' Meeting on October 17, 2014  
Amended by 2015 Annual Shareholders' Meeting on June 23, 2015

Article 1 Shareholders' meeting of the Company, except as otherwise governed by the laws and regulations or the Articles of Incorporation, shall be proceeded in compliance with the rules and procedures set out herein.

Article 2 Shareholders' meeting of the Company, except as otherwise governed by the laws and regulations, shall be convened by the Board of Directors.

Article 3 The attendance of the meeting shall be counted based on the shares represented. Numbers of shares present at the meeting shall be counted based on registration book and attendance cards submitted along with voting powers exercised in writing or electronic form.

The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of outstanding shares of the Company, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of outstanding shares of the Company, the chair shall declare the meeting adjourned.

Unless otherwise stipulated by the Company Act, resolutions of shareholders' meetings shall be reached by a majority of the shareholders who represent half or more of the total number of outstanding shares of the Company.

When the number of shareholders present does not constitute the quorum prescribed in the preceding Paragraph, but those present represent one third or more of the total number of outstanding shares of the Company, a tentative resolution may be passed by a majority of those present. Each of the shareholders shall be informed on such tentative resolution and a shareholders' meeting shall be reconvened within one month.

In the aforesaid shareholders' meeting, if the tentative resolution is again adopted by a majority of those present who represent one third or more of the total number of outstanding shares, such tentative resolution shall be deemed to be a formal resolution.

Article 4 The Company's rules and procedures for shareholders' meetings shall be held in accordance with Regulations Governing Content and Compliance Requirements for Shareholders' Meeting Agenda Handbooks of Public Companies.

Thirty days before the Company is to convene an annual shareholders' meeting and fifteen days before a special shareholders' meeting, the Company shall inform the shareholders on meeting notice and shareholders' meeting agenda. The meeting notice shall contain reasons for convening the meeting and may be presented in electronic form.

Election or discharge of directors, changes in the Articles of Incorporation, dismissal, merge and demerger of the Company or items regarding Article 185-1 of the Company Act and Article 26-1 and 43-6 of the Securities and Exchange Act shall be listed in the reasons for convening the meeting and shall not be proposed as extempore motions.

Shareholders holding one percent or more of the total number of outstanding shares of the Company may propose one proposal at most to annual shareholders' meeting in writing. In cases where a proposal contains more than one matter, such proposal shall not be included in the agenda.

Proposals with regard to Article 172-1, Paragraph 4 of the Company Act submitted by shareholders may not be listed as discussion items by the Board of Directors.

Prior to the book closure date before the convening of a regular shareholders' meeting, the Company shall give a public notice announcing acceptance of proposals, the place and the period for shareholders to submit proposals to be discussed at the meeting; and the period for accepting such proposals shall not be less than ten days.

The number of words of a proposal submitted by a shareholder shall be limited to not more than three hundred words, and any proposal containing more than 300 words shall not be included in the agenda of shareholders' meetings. The shareholder who has submitted proposals shall attend, in person or by proxy, the regular shareholders' meeting whereat the submitted proposal are to be discussed and shall take part in the discussion of such proposals.

Before the day on which the meeting notice is announced, the Company shall inform the shareholder who has submitted proposals on the acceptance result and list the proposals in compliance with this article in the meeting notice. For proposals not included in the agenda, the Board of Directors shall make an explanation about exclusion of such proposals.

The agenda of shareholders' meetings shall be set by the Board of Directors. Unless otherwise resolved at shareholders' meetings, the meetings shall proceed in accordance with the agenda. Before all proposals, including extempore motions, listed in the agenda are resolved, the chair shall not announce adjournment of the meeting unless otherwise resolved.

Article 5 Unless otherwise restricted or in the circumstances provided by Article 179-2 of the Company Act, a shareholder shall have one voting right in respect of each share of the Company in the shareholder's possession.

When a shareholder is government agency or corporate shareholder, it may designate more than one representative. The exercising of its voting power, however, is counted based on the number of shares it holds. In cases where two representatives are appointed, they shall exercise the voting rights jointly.

Prior to a shareholders' meeting is convened, a shareholder may appoint one proxy only to attend the meeting through a power of attorney issued by the Company stating therein the scope of power authorized to the proxy. Such power of attorney shall be delivered to the Company five days before the convening of the meeting. In cases where two or more written proxies are sent, the first one received by the Company shall prevail.

When a person acts as the proxy for two or more shareholders, the number of voting rights represented by the person shall not exceed 3 percent of the total number of voting rights of the Company, otherwise, the portion of excessive voting rights shall not be counted.

Article 6 Registration of shareholders, proceedings of shareholders' meetings, voting and vote counting shall be recorded in audio and video uninterruptedly by the Company and shall be retained for at least one year. When lawsuits are filed in pursuant to Article 189 of the Company Act, the relevant audio or video record shall be retained until the conclusion of the litigation.

Article 7 When the chair at a shareholders' meeting deem that a proposal, amendment or extempore motion has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call a vote.

Article 8 When a shareholder present at a shareholders' meeting wishes to speak, a speech note shall be filled out with summary of the speech, the shareholder's number (or the number of attendance card) and the name of the shareholder. The order of speeches by shareholders shall be decided by the chair.

If any shareholder present at a shareholders' meeting submits a speech note but does not speak, no speech should be deemed to have been made by such shareholder. In cases where the contents of the speech of a shareholder are inconsistent with the contents of the speech note filled out, the contents of actual speech shall prevail.

Unless otherwise permitted by the chair, each shareholder shall not, for each discussion item, speak more than two times (each time not exceeding 5 minutes). In cases where the speech of any shareholder violates the above provision or exceeds the scope of the discussion item, the chair may stop the speech of such shareholder.

Unless otherwise permitted by the chair and the shareholder in speaking, no shareholder shall interrupt the speeches of the other shareholders, otherwise the chair shall stop such interruption.

If a corporate shareholder designates two or more representatives to present at a shareholders' meeting, only one representative can speak for each discussion item.

After the speech of a shareholder, the chair may respond in person or appoint an appropriate person to respond.

- Article 9 When election is held in a shareholders' meeting, relevant rules of election set by the Company shall be followed and the election result, including list of director elected and voting rights obtained, shall be announced at the meeting.
- Ballots of the aforesaid election shall be sealed with signatures by the persons to monitor and kept in proper custody for at least one year. When lawsuits are filed in pursuant to Article 189 of the Company Act, the relevant audio or video record shall be retained until the conclusion of the litigation.
- Article 10 Resolutions of a shareholders' meeting shall be recorded in meeting minutes which shall bear the signature or seal of the chair and shall be distributed to each shareholders within 20 days after the meeting.
- The aforesaid meeting minutes may be produced and distributed in electronic form.
- Article 11 Numbers of shares that are solicited by solicitors and represented by proxy shall be presented in a statistical table in required format by the Company and shall be revealed explicitly at the venue of a shareholders' meeting.
- Article 12 During a shareholders' meeting, the chair may announce an intermission at the chair's discretion. When an event of force majeure occurs, the chair may decide to suspend the meeting and announce the time for resumption of the meeting depending on the situation.
- Before all discussion items listed in the agenda are resolved but venue for a shareholders' meeting becomes unavailable, the meeting may resolve to resume the meeting elsewhere.
- Pursuant to Article 182 of the Company Act, shareholders' meeting may resolve to postpone or reconvene the meeting for not more than five days.
- Article 13 Matters not specified herein shall be governed by the Company Act, the Securities and Exchange Act and the Articles of Incorporation and relevant regulations of the Company.
- Article 14 The rules set forth herein shall take effect after approval by a shareholders' meeting; the same applies to amendments.

## Appendix II

### The Articles of Incorporation of AIDC (Original)

#### Chapter I General Provisions

Article 1 The Corporation shall be incorporated, as a company limited by shares, under the Company Act of the Republic of China, and its name shall be 漢翔航空工業股份有限公司 in the Chinese language, and AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION in the English language.

Article 2 The scope of business of the Corporation shall be as follows:

1. CB01010 Machinery and Equipment Manufacturing
2. CD01060 Aircraft and Parts Manufacturing
3. I101100 Aviation Consultancy
4. JE01010 Rental and Leasing Business
5. IG03010 Energy Technical Services
6. CD01020 Tramway Cars Manufacturing
7. I599990 Other Designing
8. I199990 Other Consultancy
9. CB01030 Pollution Controlling Equipment Manufacturing
10. F113100 Wholesale of Pollution Controlling Equipment.
11. E605010 Computing Equipment Installation Construction
12. G502011 Aviation
13. F401010 International Trade
14. F401021 Restrained Telecom Radio Frequency Equipment and Materials Import
15. E701030 Restrained Telecom Radio Frequency Equipment and Materials Construction
16. E606010 Electricity Equipment Checking and Maintenance
17. I103060 Management Consulting Services
18. I401010 General Advertising Services
19. JB01010 Exhibition Services
20. CF01011 Medical Materials and Equipment Manufacturing
21. F108031 Wholesale of Drugs, Medical Goods
22. F208031 Retail sale of Medical Equipment
23. D101060 Self-Usage Power Generation Equipment Utilizing Renewable Energy Industry
24. D101050 Steam and Electricity Para Genesis
25. CC01010 Electric Power Supply, Electric Transmission and Power Distribution  
Machinery Manufacturing
26. CC01101 Restrained Telecom Radio Frequency Equipments and Materials  
Manufacturing
27. CC01060 Wired Communication Equipment and Apparatus Manufacturing
28. CC01070 Telecommunication Equipment and Apparatus Manufacturing
29. F501990 Other Eating and Drinking Places Not Elsewhere Classified
30. H703100 Real Estate Rental and Leasing
31. CD01030 Automobiles and Parts Manufacturing
32. I301010 Software Design Services
33. J202010 Industry Innovation and Incubation Services
34. F107090 Wholesale of Industrial Explosives

## **Aerospace Industrial Development Corporation**

### **Rules for Election of Directors (Original)**

Formulated by 2014 3rd Special Shareholders' Meeting on October 17, 2014  
Amended by 2015 Annual Shareholders' Meeting on June 23, 2015

- Article 1 Election of directors of the Company, except as otherwise governed by the laws and regulations or the Articles of Incorporation, shall be proceeded in compliance with the rules set out herein.
- Article 2 Election of directors shall take the constitution of the board into consideration. Board members shall have the necessary knowledge, skills, and experience to perform their duties; the abilities that must be present in the board as a whole are as follows:
1. Ability to make operational judgments.
  2. Ability to perform accounting and financial analysis.
  3. Ability to conduct business administration.
  4. Ability to conduct crisis management.
  5. Knowledge of the industry.
  6. An international market perspective.
  7. Ability to lead.
  8. Ability to make policy decisions.
- A spousal relationship nor a familial relationship within the second degree of kinship may not exist among more than half of the directors.
- Article 3 (Deleted)
- Article 4 Qualification and election of independent directors of the Company shall be compliant with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies and the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
- Article 5 Election of directors of the Company shall be conducted in accordance with Article 192-1 of the Company Act and the Articles of Incorporation of the Company.
- Election of independent directors and non-independent directors of the Company shall be held together, provided that the number of seats elected shall be calculated separately.
- When the number of directors is reduced to below five due to the discharge of directors for any reason, the Company shall hold a by-election to fill the vacancies at its next shareholders' meeting. When the number of directors is reduced to below one third of the total number, the Company shall convene a special shareholders' meeting within 60 days from the date of occurrence to hold a by-election to fill the vacancies.
- When the number of independent directors is reduced to below that required under the proviso of Article 14-2, Paragraph 1 of the Securities and Exchange Act, the Company shall hold a by-election to fill the vacancies at the next shareholders' meeting. When the independent directors are dismissed en masse, the Company shall convene a special shareholders' meeting within 60 days from the date of occurrence to hold a by-election to fill the vacancies.
- Article 6 In election of directors, cumulative voting system shall be adopted. Each share bears voting rights in number equal to the number of the seats to be elected, which may be voted for a single candidate or split among multiple candidates.
- Article 7 The Board of Directors of the Company shall prepare election ballots in number equal to the number of the seats to be elected, listing the attendance card number and the corresponding number of voting rights of shareholders. The election ballots shall be distributed to the common shareholders present at the shareholders' meeting.

Attendance card numbers printed on the ballots, instead of the names of voting shareholders, shall be used to represent the voter.

Ballots may not be distributed to common shareholders who cast votes through electronic form.

Article 8 In the election of directors and non-independent directors of the Company, candidates who acquire more votes win the seats sequentially according to the numbers of votes they receive respectively. If two or more candidates acquire the same number of votes and the number of such candidates exceeds the specified seats available, such candidates acquiring the same votes shall draw lots to decide who should win the seats available, and the chair shall draw lots on behalf of the absent candidates.

Article 9 Before the election begins, the chair shall appoint several persons from the shareholders present to monitor and count the ballots.

The ballot box used for voting shall be prepared by the Board of Directors of the Company and checked in public by the persons to monitor the ballots before voting.

Article 10 Duties of the persons to monitor the ballots are as follows.

Check the ballot box used for voting in public before voting begins.

1. Seal the ballot box when voting ends. Open the ballot box and hand the ballots to the persons to count at the moment of counting.
2. Verify or determine if ballots are void.
3. Verify the numbers of ballots and voting rights calculated by the persons to count.
4. Maintain order of the election during ballot casting and counting.

The aforesaid ballot box shall be prepared by the Board of Directors of the Company.

Article 11 Voters shall fill in the "candidate" column information shown as follows from candidate list for the election of independent directors or non-independent directors and cast the ballot into the ballot box.

1. If candidates are shareholders of the Company, candidates' names and account numbers shall be filled in. If candidates are not shareholders of the Company, candidates' names and ID numbers shall be filled in.
2. If candidates are government agencies or corporate shareholders, full names and account numbers of the government agencies or corporate shareholders shall be filled in.
3. If candidates are representatives designated by government agencies or corporate shareholders, full names and account numbers of the government agencies or corporate shareholders and names of the representatives shall be filled in. In cases where there are multiple representatives, names of the representatives shall be filled in respectively.

Article 12 A ballot is void under any of the following circumstances:

1. A ballot is not prepared by the Board of Directors.
2. A ballot shows written characters in addition to candidates' names, shareholders' numbers (ID numbers) and the number of voting rights.
3. A ballot that is ripped and incomplete.
4. A blank ballot.
5. The writing on a ballot is unclear and indecipherable or has been altered; however, correction to the required information is not subject to the rule specified hereof.
6. The candidates shown on the ballots are shareholders, and the printed names or account numbers and account numbers are inconsistent with those given in the shareholder register.
7. The candidates shown on the ballots are not shareholders, and the printed names are inconsistent with their identity documents.
8. The candidates shown on the ballots are representatives designated by government agencies or corporate shareholders, and the printed names and account numbers of the government agencies or corporate shareholders are inconsistent with those given in the shareholder register.

9. The candidates shown on the ballots bear names same as other shareholders, and account numbers or ID numbers are not indicated for identification.
10. The candidates for independent directors, non-independent directors or supervisors shown on the ballots are not listed in candidate list for the election.

Article 13 The ballots should be calculated immediately after the voting ends and results of the election shall be announced by the chair at the meeting.

When questions about ballots are raised, the persons to monitor shall determine if the ballots are void. If disputes arise as to the decision by the persons to monitor, all monitoring personnel shall put it to a vote. The ballot shall be deemed void if numbers of votes for and against are the same.

Article 14 The Board of Directors of the Company shall issue notifications to the directors elected respectively.

Article 15 The rules set forth herein shall take effect after approval by a shareholders' meeting; the same applies to amendments.

## Appendix III

### **Aerospace Industrial Development Corporation** **Rules for Election of Directors (Original)**

Formulated by 2014 3rd Special Shareholders' Meeting on October 17, 2014  
Amended by 2015 Annual Shareholders' Meeting on June 23, 2015

- Article 1 Election of directors of the Company, except as otherwise governed by the laws and regulations or the Articles of Incorporation, shall be proceeded in compliance with the rules set out herein.
- Article 2 Election of directors shall take the constitution of the board into consideration. Board members shall have the necessary knowledge, skills, and experience to perform their duties; the abilities that must be present in the board as a whole are as follows:
1. Ability to make operational judgments.
  2. Ability to perform accounting and financial analysis.
  3. Ability to conduct business administration.
  4. Ability to conduct crisis management.
  5. Knowledge of the industry.
  6. An international market perspective.
  7. Ability to lead.
  8. Ability to make policy decisions.
- A spousal relationship nor a familial relationship within the second degree of kinship may not exist among more than half of the directors.
- Article 3 (Deleted)
- Article 4 Qualification and election of independent directors of the Company shall be compliant with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies and the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
- Article 5 Election of directors of the Company shall be conducted in accordance with Article 192-1 of the Company Act and the Articles of Incorporation of the Company.
- Election of independent directors and non-independent directors of the Company shall be held together, provided that the number of seats elected shall be calculated separately.
- When the number of directors is reduced to below five due to the discharge of directors for any reason, the Company shall hold a by-election to fill the vacancies at its next shareholders' meeting. When the number of directors is reduced to below one third of the total number, the Company shall convene a special shareholders' meeting within 60 days from the date of occurrence to hold a by-election to fill the vacancies.
- When the number of independent directors is reduced to below that required under the proviso of Article 14-2, Paragraph 1 of the Securities and Exchange Act, the Company shall hold a by-election to fill the vacancies at the next shareholders' meeting. When the independent directors are dismissed en masse, the Company shall convene a special shareholders' meeting within 60 days from the date of occurrence to hold a by-election to fill the vacancies.
- Article 6 In election of directors, cumulative voting system shall be adopted. Each share bears voting rights in number equal to the number of the seats to be elected, which may be voted for a single candidate or split among multiple candidates.
- Article 7 The Board of Directors of the Company shall prepare election ballots in number equal to the number of the seats to be elected, listing the attendance card number and the corresponding number of voting rights of shareholders. The election ballots shall be distributed to the common shareholders present at the shareholders' meeting.



Attendance card numbers printed on the ballots, instead of the names of voting shareholders, shall be used to represent the voter.

Ballots may not be distributed to common shareholders who cast votes through electronic form.

Article 8 In the election of directors and non-independent directors of the Company, candidates who acquire more votes win the seats sequentially according to the numbers of votes they receive respectively. If two or more candidates acquire the same number of votes and the number of such candidates exceeds the specified seats available, such candidates acquiring the same votes shall draw lots to decide who should win the seats available, and the chair shall draw lots on behalf of the absent candidates.

Article 9 Before the election begins, the chair shall appoint several persons from the shareholders present to monitor and count the ballots.

The ballot box used for voting shall be prepared by the Board of Directors of the Company and checked in public by the persons to monitor the ballots before voting.

Article 10 Duties of the persons to monitor the ballots are as follows.

Check the ballot box used for voting in public before voting begins.

1. Seal the ballot box when voting ends. Open the ballot box and hand the ballots to the persons to count at the moment of counting.
2. Verify or determine if ballots are void.
3. Verify the numbers of ballots and voting rights calculated by the persons to count.
4. Maintain order of the election during ballot casting and counting.

The aforesaid ballot box shall be prepared by the Board of Directors of the Company.

Article 11 Voters shall fill in the "candidate" column information shown as follows from candidate list for the election of independent directors or non-independent directors and cast the ballot into the ballot box.

1. If candidates are shareholders of the Company, candidates' names and account numbers shall be filled in. If candidates are not shareholders of the Company, candidates' names and ID numbers shall be filled in.
2. If candidates are government agencies or corporate shareholders, full names and account numbers of the government agencies or corporate shareholders shall be filled in.
3. If candidates are representatives designated by government agencies or corporate shareholders, full names and account numbers of the government agencies or corporate shareholders and names of the representatives shall be filled in. In cases where there are multiple representatives, names of the representatives shall be filled in respectively.

Article 12 A ballot is void under any of the following circumstances:

1. A ballot is not prepared by the Board of Directors.
2. A ballot shows written characters in addition to candidates' names, shareholders' numbers (ID numbers) and the number of voting rights.
3. A ballot that is ripped and incomplete.
4. A blank ballot.
5. The writing on a ballot is unclear and indecipherable or has been altered; however, correction to the required information is not subject to the rule specified hereof.
6. The candidates shown on the ballots are shareholders, and the printed names or account numbers and account numbers are inconsistent with those given in the shareholder register.
7. The candidates shown on the ballots are not shareholders, and the printed names are inconsistent with their identity documents.
8. The candidates shown on the ballots are representatives designated by government agencies or corporate shareholders, and the printed names and account numbers of the government agencies or corporate shareholders are inconsistent with those given in the shareholder register.

9. The candidates shown on the ballots bear names same as other shareholders, and account numbers or ID numbers are not indicated for identification.
10. The candidates for independent directors, non-independent directors or supervisors shown on the ballots are not listed in candidate list for the election.

Article 13 The ballots should be calculated immediately after the voting ends and results of the election shall be announced by the chair at the meeting.

When questions about ballots are raised, the persons to monitor shall determine if the ballots are void. If disputes arise as to the decision by the persons to monitor, all monitoring personnel shall put it to a vote. The ballot shall be deemed void if numbers of votes for and against are the same.

Article 14 The Board of Directors of the Company shall issue notifications to the directors elected respectively.

Article 15 The rules set forth herein shall take effect after approval by a shareholders' meeting; the same applies to amendments.

## Appendix IV

### **Aerospace Industrial Development Corporation** **Impact to Business Performance, EPS and Rate on Investment of Shareholders** **Resulting from Stock Dividend Distribution**

Not applicable due to the fact that the Company did not issue stock dividend in 2020.

## Appendix V

### **Aerospace Industrial Development Corporation** **Shareholding of the Board of Directors**

Book Closure Date: March 30, 2021

Title	Name	Shareholding recorded in shareholders' register on book closure date	
		Shares	%
Chairman	MOEA Representative: Hu, Kai-Hung	331,301,773	35.175%
Executive Director	MOEA Representative: Ma, Wan-June	331,301,773	35.175%
Director	MOEA Representative: Liou, Ming-Jong	331,301,773	35.175%
Director	MOEA Representative: Shieu, Fuh-Sheng	331,301,773	35.175%
Director	MOEA Representative: Chang, Ming-Pin	331,301,773	35.175%
Director	MOEA Representative: Yu, Cheng-Tao	331,301,773	35.175%
Director	MOEA Representative: Hsu, Chung-Ming	331,301,773	35.175%
Director	NDIDF Representative: Shiu, Yan-Pu	11,063,201	1.175%
Executive and Independent Director	Chan, Chia-Chang	0	0
Independent Director	Chen, Yin-Chin	0	0
Independent Director	Lien, Li-Jen	0	0
Total Shareholding Owned by All Directors		342,364,974	36.350%

- Notes:
1. By March 30, 2021, the book closure date, the Company has issued a total of 941,867,101 shares.
  2. Pursuant to the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies, shareholdings of independent directors shall not be counted in the shareholdings owned by all directors; and, the prescribed minimum shares to be owned by all directors are 30,139,747 shares.
  3. The Company has set up an audit committee; hence, the provisions on the minimum percentage requirements for the shareholding of supervisors shall not apply.