



Aerospace Industrial Development Corporation
Meeting Minutes
Of
2018 Annual Shareholders' Meeting
(Translation)

Date: 26 June 2018

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

(The translated document is prepared in accordance with the Chinese version and is for reference only. In the event of any inconsistency between the English version and the Chinese version, the Chinese version shall prevail.)

Aerospace Industrial Development Corporation (AIDC)

2018 Annual Shareholders' Meeting Minutes

Time and Date: 10:00 a.m., 26 June 2018 (Tuesday)

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

Total outstanding AIDC shares: 941,867,101 shares

Total shares represented by shareholders present in person or by proxy:
633,440,362 shares (including 288,668,560 shares casted electronically)

Percentage of outstanding shares held by shareholders present in person or by
proxy: 67.25%

Chairman: Jung-Hsin Liao, the Chairman of the Board of Directors

Directors Present: Wei-Da Pan, the Convener of Remuneration Committee;
Huan-Guei Cheng, the Convener of Audit Committee;
Yung-Hao Hsu; Nan-Juh Lin; Feng-Yuan Chien; Fuh-Sheng
Shieu; Cheng-Te Yu; Cheng-Tao Yu; Horng-Huei Po

Attendees: Jack Y. Twu (Lawyer); Lie-Dong Wu (Accountant)

I. Meeting Commencement Announced

(The aggregate shareholding of the shareholders present in person or by proxy constituted a quorum. The Chairman called the meeting to order.)

II. Chairman's Address (omitted)

III. Reports

- Item 1: Report on the business of 2017, are shown in Appendix I (Pages 9-12).
- Item 2: Audit Committee Review Report of 2017, as shown in Appendix II (Page 13).
- Item 3: Report on 2017 compensation to employees and directors, as shown in Appendix III (Page 14).

Acknowledged

IV. Ratifications

Item 1: Ratification of the 2017 Business Report and Financial Statements (Proposed by the Board of Directors)

Description: I. AIDC's 2017 Financial Statements (including Balance Sheets, Statements of Comprehensive Income, Statements of Changes in Equity, and Statements of Cash Flows) have been reviewed and audited by Mrs. Lie-Dong Wu and Mr. Done-Yuin Tseng, CPA of Deloitte & Touche.

II. Business Report of 2017, Auditors' Report, and aforementioned financial statements, are shown in Appendixes I and IV (Pages 9-12 and Pages 15-34).

Voting Results:

Item	Electronically	Voting rights	Represent total	%
Votes in favor	256,422,549	343,698,985	600,121,534	94.74%
Votes against	242,424	0	242,424	0.03%
Votes invalid	0	0	0	0.00%
Vote abstained	32,003,587	1,072,817	33,076,404	5.23%
Total votes	288,668,560	344,771,802	633,440,362	100.00%

Resolved, that the above proposal be and hereby was accepted as proposed.

Item 2: Ratification of the proposal for Earnings Distribution of 2017 Profits (Proposed by the Board of Directors)

Description: I. The company's net profit after taxes for 2017 was NT\$1,747,981,226. Based on the "Articles of Incorporation" article 28-1 reserve allocation, the current distributable surplus is NT\$1,080,578,653, as shown in Appendixes V (Page 35).

II. The company plans to distribute a cash dividend of NT\$1.13 per share for 2017. 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.

Voting Results:

Item	Electronically	Voting rights	Represent total	%
Votes in favor	256,365,194	343,737,553	600,102,747	94.73%
Votes against	325,186	0	325,186	0.05%
Votes invalid	0	0	0	0.00%
Vote abstained	31,978,180	1,034,249	33,012,429	5.22%
Total votes	288,668,560	344,771,802	633,440,362	100.00%

Resolved, that the above proposal be and hereby was accepted as proposed.

V. Discussion (I)

Proposal 1: Discussion on amendments to the Company's Acquisition and Disposal Procedures for Assets
(Proposed by the Board of Directors)

Description: I. In support of the company's actual operating needs, the provisions contained in the existing procedures for acquisition and disposal of assets need to be amended in part.

II. The comparisons of the original as well as the amended provisions are shown in Appendix VI (Pages 36-49).

Voting Results:

Item	Electronically	Voting rights	Represent total	%
Votes in favor	256,485,255	343,593,440	600,078,695	94.73%
Votes against	282,683	0	282,683	0.04%
Votes invalid	0	0	0	0.00%
Vote abstained	31,900,622	1,178,362	33,078,984	5.23%
Total votes	288,668,560	344,771,802	633,440,362	100.00%

Resolved, that the above proposal be and hereby was accepted as proposed.

VI. Election

Proposal 1: Electing the 8th Board of Directors
(Proposed by the Board of Directors)

- Description:
- I. The incumbent 7th Board of Directors of the company have served and fulfilled the term of office on June 22, 2018. Pursuant to Articles 195 and Company Articles of Incorporation, this session of Shareholders shall elect the 8th Board of Directors for a term of 3 years from June 26, 2018 to June 25, 2021.
 - II. AIDC Directors shall be elected under a nomination system, and the election for a new Board in the General Meeting of Shareholders. The candidates of Directors for the 8th term which was passed by the Board in the session dated May 8, 2018, are shown in Appendixes VII (Pages 50-54).
 - III. Election will be held in accordance with the Company's Procedure for the Election of Directors.

Election Results:

Ten directors (including two independent directors) were elected by the shareholders present. The tenure of the newly elected directors commences on 26 June, 2018 and shall expire on 25 June, 2021. The list of the newly elected directors with vote received is shown as follows:

Shareholders' No. / Title	Name	Elected voting Received
1 / Director	Representative of MOEA : Liao, Jung-Hsin	534,183,477
1 / Director	Representative of MOEA : Lin, Nan-Juh	467,410,542
1 / Director	Representative of MOEA : Chien, Feng-Yuan	467,356,542
1 / Director	Representative of MOEA : Chang, Ming-Pin	445,152,898
1 / Director	Representative of MOEA : Shieu, Fuh-Sheng	445,152,898

Shareholders' No. / Title	Name	Elected voting Received
2 / Director	Representative of NDIDF : Po, Horng-Huei	445,152,898
1 / Director	Representative of MOEA : Yu, Cheng-Tao	356,122,318
1 / Director	Representative of MOEA : Hsu, Chung-Ming	356,122,318
K12041**** / Independent Director	Chan, Chia-Chang	311,607,028
F22066**** / Independent Director	Chen, Yin-Chin	222,576,449

VII. Discussion (II)

Proposal 1: Exempt directors and their representatives from non-competition restrictions
(Proposed by the Board of Directors)

Description: I. Pursuant to Article 209 of Law, a director, who acts for himself or another person on certain business categories which are also found within the company's business scope, shall address the shareholders' meeting to explain the contents of his actions and obtain permission for such actions.

II. Based on the requirement for the company's business promotion, in order to use the expertise and experiences of the company's directors, it is requested that the newly appointed directors and their legal representatives concurrently may operate or be employed in companies with the same or similar business scope as those of the company, thus they are exempted from restrictions on non-competition.

III. The exempted contents of the legal acts of the directors and their representatives as shown in Appendix VIII (Page 55).

Voting Results:

(1) Exemption of Restrictions for Chan, Chia-Chang Independent Director (serves as independent director of Mobiletron Co., Ltd.):

Item	Electronically	Voting rights	Represent total	%
Votes in favor	179,545,654	343,079,429	522,625,083	82.50%
Votes against	1,132,951	245,099	1,378,050	0.21%
Votes invalid	0	0	0	0.00%
Vote abstained	107,989,955	1,447,274	109,437,229	17.29%
Total votes	288,668,560	344,771,802	633,440,362	100.00%

(2) Exemption of Restrictions for Chang, Ming-Pin Director (serves as director of Taiwan Cogeneration Co., Ltd.):

Item	Electronically	Voting rights	Represent total	%
Votes in favor	179,545,070	342,972,224	522,521,294	82.48%
Votes against	1,137,831	245,099	1,382,930	0.21%
Votes invalid	0	0	0	0.00%
Vote abstained	107,981,659	1,554,479	109,536,138	17.31%
Total votes	288,668,560	344,771,802	633,440,362	100.00%

Resolved, that the above proposal be and hereby was accepted as proposed.

VIII. Extempore Motions

No provisional motion was proposed upon the Chairman's consultation with all attending shareholders.

IX. Meeting Adjournment

There being no other business and special motion, the Chairman announced the meeting adjourned.

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 (the Company) and its subsidiaries (collectively, the Group), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, 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.

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, 2017 and 2016, 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, 2017. 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.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2017 are stated as follows:

Impairment loss of inventory

The Group assesses impairment of raw materials based on individual identification. The impairment loss of the raw materials involves the management's significant judgment, and hence its assessment is considered as a key audit matter. The Group assesses the impairment loss of the raw materials based on current market conditions and future consumption, an assessment that ensures the valuation of raw materials of the Group aligns to the rules denoted in the IAS 2. Refer to Notes 5 and 9. Our key audit procedures performed in regard to the assessment thereof include the followings:

1. Perform the inventory aging test to assure the completeness and accuracy of inventory aging report.
2. Sample inventories which have been aging for more than a year without being provided for impairment.
3. Test the net realizable value of unimpaired inventory, and recalculate the accuracy of allowance for impairment loss.
4. Observe the inventory at year end to assess the appropriateness of allowance for impairment loss of inapplicable inventory.

Warranties

The Group provides warranties for military product maintenance, and the percentage of certain provisions involve management's significant judgment, and hence such type of warranties provisions is considered as a key audit matter. Refer to Notes 5 and 19. Our key audit procedures performed in regard to the provisions thereof include the followings:

1. Obtain the documents on management's decision of the provision rate and evaluate the reasonableness of percentage provided for abovementioned provisions.
2. Recalculate the accuracy of the amount of provision.
3. Perform a retrospective test to assure that the provisions are appropriate and sufficient.

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, 2017 and 2016 on which we have issued an unqualified 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 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, 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, 2017 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 audit resulting in this independent auditors' report are Lie-Dong Wu and Done-Yuin Tseng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 27, 2018

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 SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	December 31			
	2017		2016	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,065,791	3	\$ 2,560,098	8
Notes receivable (Note 4)	23,509	-	4,749	-
Trade receivables from unrelated parties (Notes 4 and 8)	9,278,949	28	7,256,164	23
Trade receivables from related parties (Notes 4 and 29)	308,373	1	220,669	1
Other receivables (Notes 4 and 8)	99,055	-	179,253	1
Inventories (Notes 4, 5 and 9)	6,770,848	20	7,599,577	25
Other financial asset - current (Notes 4, 14 and 30)	3,811,126	11	2,000,102	6
Other current assets (Notes 4, 15 and 29)	1,754,280	5	634,878	2
Total current assets	23,111,931	68	20,455,490	66
NON-CURRENT ASSETS				
Financial assets measured at cost - non-current (Notes 4 and 7)	79,200	-	79,200	-
Investment accounted for using equity method (Notes 4 and 11)	428,906	2	779,331	3
Property, plant and equipment (Notes 4, 12 and 30)	8,718,654	26	8,244,072	27
Intangible assets (Notes 4 and 13)	1,000,404	3	734,805	2
Deferred tax assets (Notes 4 and 24)	305,324	1	305,776	1
Prepayments for equipment	81,682	-	380,150	1
Other financial asset - non-current (Notes 4, 14 and 30)	10,807	-	24,517	-
Other non-current assets (Notes 4, 8 and 15)	15,973	-	21,659	-
Total non-current assets	10,640,950	32	10,569,510	34
TOTAL	\$ 33,752,881	100	\$ 31,025,000	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 16 and 30)	\$ 6,515,000	19	\$ 7,200,000	23
Short-term bills payable (Note 16)	2,499,329	7	1,998,882	6
Trade payables to unrelated parties	1,394,004	4	1,395,632	5
Trade payables to related parties (Note 29)	201,665	1	19,836	-
Other payables (Notes 18 and 29)	3,747,714	11	4,131,171	13
Current tax liabilities (Notes 4 and 24)	260,674	1	332,954	1
Unearned receipts	148,945	1	208,316	1
Current portion of long-term borrowings (Notes 16 and 30)	342,606	1	1,167,606	4
Finance lease payables - current (Notes 4 and 17)	-	-	5,131	-
Net defined benefit liabilities - current (Notes 4 and 20)	33,422	-	-	-
Other current liabilities	365,558	1	40,361	-
Total current liabilities	15,508,917	46	16,499,889	53
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 16 and 30)	3,975,635	12	748,240	2
Provisions - non-current (Notes 4, 5 and 19)	939,150	3	1,043,511	3
Deferred tax liabilities (Notes 4 and 24)	21,677	-	160,658	1
Long - term deferred income (Note 4)	351	-	-	-
Guarantee deposits	204,109	-	212,263	1
Total non-current liabilities	5,140,922	15	2,164,672	7
Total liabilities	20,649,839	61	18,664,561	60
EQUITY				
Common stock	9,418,671	28	9,082,615	29
Retained earnings				
Legal reserve	531,146	2	322,880	1
Special reserve	1,473,474	4	848,678	3
Unappropriated earnings	1,711,923	5	2,086,241	7
Other equity	(32,172)	-	20,025	-
Total equity	13,103,042	39	12,360,439	40
TOTAL	\$ 33,752,881	100	\$ 31,025,000	100

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

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2017		2016	
	Amount	%	Amount	%
SALES (Notes 4, 22 and 29)	\$ 27,537,414	100	\$ 27,325,514	100
COST OF GOODS SOLD (Notes 9, 23 and 29)	<u>23,637,272</u>	<u>86</u>	<u>23,210,018</u>	<u>85</u>
GROSS PROFIT	<u>3,900,142</u>	<u>14</u>	<u>4,115,496</u>	<u>15</u>
OPERATING EXPENSES (Notes 23 and 29)				
Selling and marketing expenses	124,996	-	146,684	1
General and administrative expenses	598,200	2	587,051	2
Research and development expenses	<u>407,178</u>	<u>2</u>	<u>655,828</u>	<u>2</u>
Total operating expenses	<u>1,130,374</u>	<u>4</u>	<u>1,389,563</u>	<u>5</u>
PROFIT FROM OPERATIONS	<u>2,769,768</u>	<u>10</u>	<u>2,725,933</u>	<u>10</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4 and 23)	193,040	1	189,197	1
Other gains and losses (Notes 4 and 23)	(805,416)	(3)	(371,188)	(1)
Share of profit of associate (Note 4)	240,264	1	177,625	1
Finance costs	<u>(118,867)</u>	<u>(1)</u>	<u>(127,344)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>(490,979)</u>	<u>(2)</u>	<u>(131,710)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	2,278,789	8	2,594,223	10
INCOME TAX EXPENSE (Notes 4 and 24)	<u>530,808</u>	<u>2</u>	<u>511,568</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>1,747,981</u>	<u>6</u>	<u>2,082,655</u>	<u>8</u>
OTHER COMPREHENSIVE INCOME (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(44,919)	-	(2,985)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	<u>(52,197)</u>	<u>-</u>	<u>(10,590)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(97,116)</u>	<u>-</u>	<u>(13,575)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,650,865</u>	<u>6</u>	<u>\$ 2,069,080</u>	<u>8</u>

(Continued)

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2017		2016	
	Amount	%	Amount	%
EARNINGS PER SHARE (Note 25)				
Basic	\$ 1.86		\$ 2.21	
Diluted	\$ 1.85		\$ 2.20	

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

(Concluded)

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Corporation					
	Common Stock (Note 21)	Retained Earnings (Note 21)			Other Equity Exchange Differences on Translating Foreign Operations	
		Legal Reserve	Special Reserve	Unappropriated Earnings		
BALANCE AT JANUARY 1, 2016	\$ 9,082,615	\$ 119,963	\$ 239,927	\$ 2,053,475	\$ 30,615	\$ 11,526,595
Appropriation of 2015 earnings	-	202,917	-	(202,917)	-	-
Legal reserve	-	-	608,751	(608,751)	-	-
Special reserve	-	-	-	(1,235,236)	-	(1,235,236)
Cash dividends distributed by the Company	-	-	-	-	-	-
Profit for the year ended December 31, 2016	-	-	-	2,082,655	-	2,082,655
Other comprehensive loss for the year ended December 31, 2016, net of income tax	-	-	-	(2,985)	(10,590)	(13,575)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	2,079,670	(10,590)	2,069,080
BALANCE AT DECEMBER 31, 2016	9,082,615	322,880	848,678	2,086,241	20,025	12,360,439
Appropriation of 2016 earnings	-	208,266	-	(208,266)	-	-
Legal reserve	-	-	624,796	(624,796)	-	-
Special reserve	-	-	-	(908,262)	-	(908,262)
Cash dividends distributed by the Company	-	-	-	(336,056)	-	-
Share dividends distributed by the Company	336,056	-	-	-	-	-
Profit for the year ended December 31, 2017	-	-	-	1,747,981	-	1,747,981
Other comprehensive loss for the year ended December 31, 2017, net of income tax	-	-	-	(44,919)	(52,197)	(97,116)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	1,703,062	(52,197)	1,650,865
BALANCE AT DECEMBER 31, 2017	\$ 9,418,671	\$ 531,146	\$ 1,473,474	\$ 1,711,923	\$ (32,172)	\$ 13,103,042

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

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 2,278,789	\$ 2,594,223
Adjustments for:		
Depreciation expenses	822,009	653,783
Amortization expenses	452,388	804,933
Reversal of impairment loss on trade receivables	(4,027)	(3,398)
Finance costs	118,867	127,344
Interest income	(67,964)	(33,714)
Dividend income	(78)	(614)
Share of profit of associate	(240,264)	(177,625)
Loss on disposal of property, plant and equipment	1,352	116
Impairment loss recognized on non-financial assets	88,153	136,660
Unrealized net loss (gain) on foreign currency exchange	242,930	(99,418)
Recognized (reversal) of provisions	(24,962)	69,995
Other income from liabilities	(5,951)	(23,281)
Net changes in operating assets and liabilities		
Notes receivable	(18,782)	15,074
Trade receivables	(2,153,203)	(714,060)
Other receivables	92,559	(22,742)
Inventories	664,193	1,002,931
Other current assets	(1,173,522)	784,702
Trade payables	182,150	(31,238)
Other payables	142,156	47,078
Unearned receipts	(59,371)	(3,901)
Other current liabilities	332,088	42,820
Net defined benefit liabilities	33,422	-
Deferred income	351	-
Cash generated from operations	1,703,283	5,169,668
Interest received	55,385	31,791
Interest paid	(120,343)	(124,881)
Income tax paid	(608,346)	(542,992)
Net cash generated from operating activities	<u>1,029,979</u>	<u>4,533,586</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets measured at cost	-	(33,000)
Payments for property, plant and equipment	(1,462,412)	(1,940,330)
Proceeds from disposal of property, plant and equipment	2,599	-
Increase in refundable deposits	(16,160)	(15,509)
Decrease in refundable deposits	19,508	23,469
Payments for intangible assets	(656,011)	(1,139,396)
Increase in other financial assets	(1,993,822)	-
Decrease in other financial assets	-	578,071
		(Continued)

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2017	2016
Increase in prepayments for equipment	\$ (253,985)	\$ (689,758)
Dividend received	<u>544,148</u>	<u>52,135</u>
Net cash used in investing activities	<u>(3,816,135)</u>	<u>(3,164,318)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	52,302,000	51,080,000
Repayments of short-term borrowings	(52,987,000)	(49,530,000)
Proceeds from short-term bills payable	8,692,399	7,688,961
Repayments of short-term bills payable	(8,191,952)	(7,387,671)
Proceeds from long-term borrowings	3,570,000	-
Repayments of long-term borrowings	(1,167,606)	(964,399)
Proceeds of guarantee deposits received	252,141	214,271
Refund of guarantee deposits	(260,295)	(229,370)
Dividends paid to owners of the Company	<u>(908,262)</u>	<u>(1,235,236)</u>
Net cash generated from (used in) financing activities	<u>1,301,425</u>	<u>(363,444)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>(9,576)</u>	<u>(465)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,494,307)	1,005,359
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,560,098</u>	<u>1,554,739</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,065,791</u>	<u>\$ 2,560,098</u>

The accompanying notes are an integral part of the consolidated financial statements.(Concluded)C:\windows\Temp\REPO

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, 2017 and 2016, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, 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, 2017. 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.

Key audit matters for the Company's financial statements for the year ended December 31, 2017 are stated as follows:

Impairment loss of inventory

The Company assesses impairment of raw materials based on individual identification. The assessment of impairment loss of the raw materials involves the use of the management's critical judgment, and hence the assessment is considered as a key audit matter. The Company assesses the

impairment loss of the raw materials based on current market conditions 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. Our key audit procedures performed in regard to the impairment assessment include the followings:

1. We tested the inventory aging report for completeness and accuracy.
2. We inquired and assessed the reasons for inventories aged over one year but not provided allowance for impairment.
3. We test-checked the net realizable value of inventory, and we evaluated the reasonableness of the allowance for impairment loss.
4. We Observed the physical count of inventory at year end and we test-checked actual quantity counted on tags. We also noted those appearing as obsolete or slow-moving items and traced them to the Company's impairment assessment worksheet.

Warranties

The Company provides warranties for military product maintenance, and the percentage of certain provisions involve management's critical judgment, hence, we consider provision for warranties as a key audit matter. Refer to Notes 5 and 18 for the relevant accounting policy, accounting judgments and estimation uncertainties, and other information. Our key audit procedures performed in regard to the provisions for warranties include the followings:

1. We obtained the documents on the management's decision on the provision rate and we evaluated the reasonableness of the rates compared with rates in the past periods.
2. We recalculated the amount of provision.
3. We evaluated the reasonableness of the provision against the actual usage of warranties.

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 appropriate audit evidence regarding the financial information of the 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, 2017 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 audit resulting in this independent auditors' report are Lie-Dong Wu and Done-Yuin Tseng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 27, 2018

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

(In Thousands of New Taiwan Dollars)

	December 31			
	2017		2016	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Notes 4 and 6)	\$ 1,053,021	3	\$ 2,545,007	8
Notes receivable (Note 4)	23,509	-	4,749	-
Trade receivables from unrelated parties (Notes 4 and 8)	9,278,949	28	7,256,164	23
Trade receivables from related parties (Notes 4 and 28)	308,373	1	220,669	1
Other receivables (Notes 4 and 8)	99,055	-	179,253	1
Inventories (Notes 4, 5 and 9)	6,770,848	20	7,599,577	25
Other financial asset - current (Notes 4, 13 and 29)	3,810,829	12	2,000,102	6
Other current assets (Notes 4, 14 and 28)	1,753,999	5	634,703	2
Total current assets	23,098,583	69	20,440,224	66
NON-CURRENT ASSETS				
Financial assets measured at cost - non-current (Notes 4 and 7)	79,200	-	79,200	-
Investment accounted for using equity method (Notes 4 and 10)	407,708	1	795,692	3
Property, plant and equipment (Notes 4, 11 and 29)	8,717,619	26	8,242,666	27
Intangible assets (Notes 4 and 12)	1,000,404	3	734,805	2
Deferred tax assets (Notes 4 and 23)	305,324	1	305,776	1
Prepayments for equipment	81,682	-	380,150	1
Other financial asset - non-current (Notes 4, 13 and 29)	10,807	-	24,517	-
Other non-current assets (Notes 4, 8 and 14)	15,907	-	21,587	-
Total non-current assets	10,618,651	31	10,584,393	34
TOTAL	\$ 33,717,234	100	\$ 31,024,617	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 15 and 29)	\$ 6,515,000	19	\$ 7,200,000	23
Short-term bills payable (Note 15)	2,499,329	7	1,998,882	6
Trade payables to unrelated parties	1,394,004	4	1,395,632	5
Trade payables to related parties (Note 28)	201,665	1	19,836	-
Other payables (Notes 17 and 28)	3,746,589	11	4,131,262	13
Current tax liabilities (Notes 4 and 23)	226,705	1	332,915	1
Unearned receipts	148,945	1	208,316	1
Current portion of long-term borrowings (Notes 15 and 29)	342,606	1	1,167,606	4
Finance lease payables - current (Notes 4 and 16)	-	-	5,131	-
Net defined benefit liabilities - current (Notes 4 and 19)	33,422	-	-	-
Other current liabilities	365,049	1	40,042	-
Total current liabilities	15,473,314	46	16,499,622	53
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 15 and 29)	3,975,635	12	748,240	2
Provisions - non-current (Notes 4, 5 and 18)	939,150	3	1,043,511	3
Deferred tax liabilities (Notes 4 and 23)	21,633	-	160,542	1
Long-term deferred income (Note 4)	351	-	-	-
Guarantee deposits	204,109	-	212,263	1
Total non-current liabilities	5,140,878	15	2,164,556	7
Total liabilities	20,614,192	61	18,664,178	60
EQUITY				
Common stock	9,418,671	28	9,082,615	29
Retained earnings				
Legal reserve	531,146	2	322,880	1
Special reserve	1,473,474	4	848,678	3
Unappropriated earnings	1,711,923	5	2,086,241	7
Other equity	(32,172)	-	20,025	-
Total equity	13,103,042	39	12,360,439	40
TOTAL	\$ 33,717,234	100	\$ 31,024,617	100

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

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

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

	For the Year Ended December 31			
	2017		2016	
	Amount	%	Amount	%
SALES (Notes 4, 21 and 28)	\$ 27,537,414	100	\$ 27,325,514	100
COST OF GOODS SOLD (Notes 9, 22 and 28)	<u>23,650,352</u>	<u>86</u>	<u>23,210,018</u>	<u>85</u>
GROSS PROFIT	<u>3,887,062</u>	<u>14</u>	<u>4,115,496</u>	<u>15</u>
OPERATING EXPENSES (Notes 22 and 28)				
Selling and marketing expenses	127,206	-	146,684	1
General and administrative expenses	583,057	2	587,442	2
Research and development expenses	<u>407,178</u>	<u>2</u>	<u>655,828</u>	<u>2</u>
Total operating expenses	<u>1,117,441</u>	<u>4</u>	<u>1,389,954</u>	<u>5</u>
PROFIT FROM OPERATIONS	<u>2,769,621</u>	<u>10</u>	<u>2,725,542</u>	<u>10</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4 and 22)	193,037	1	189,183	1
Other gains and losses (Notes 4 and 22)	(805,407)	(3)	(371,175)	(1)
Share of profit of subsidiary and associate (Note 4)	162,895	1	177,861	1
Finance costs	<u>(118,867)</u>	<u>(1)</u>	<u>(127,344)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>(568,342)</u>	<u>(2)</u>	<u>(131,475)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	2,201,279	8	2,594,067	10
INCOME TAX EXPENSE (Notes 4 and 23)	<u>453,298</u>	<u>2</u>	<u>511,412</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>1,747,981</u>	<u>6</u>	<u>2,082,655</u>	<u>8</u>
OTHER COMPREHENSIVE INCOME (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(44,919)	-	(2,985)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	<u>(52,197)</u>	<u>-</u>	<u>(10,590)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(97,116)</u>	<u>-</u>	<u>(13,575)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,650,865</u>	<u>6</u>	<u>\$ 2,069,080</u>	<u>8</u>

(Continued)

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

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

	For the Year Ended December 31			
	2017		2016	
	Amount	%	Amount	%
EARNINGS PER SHARE (Note 24)				
Basic	\$ 1.86		\$ 2.21	
Diluted	\$ 1.85		\$ 2.20	

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

(Concluded)

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	Common Stock (Note 20)	Retained Earnings (Note 20)			Other Equity Exchange Differences on Translating Foreign Operations	Total Equity
		Legal Reserve	Special Reserve	Unappropriated Earnings		
BALANCE AT JANUARY 1, 2016	\$ 9,082,615	\$ 119,963	\$ 239,927	\$ 2,053,475	\$ 30,615	\$ 11,526,595
Appropriation of 2015 earnings	-	202,917	-	(202,917)	-	-
Legal reserve	-	-	608,751	(608,751)	-	-
Special reserve	-	-	-	(1,235,236)	-	(1,235,236)
Cash dividends distributed by the Company	-	-	-	-	-	-
Profit for the year ended December 31, 2016	-	-	-	2,082,655	-	2,082,655
Other comprehensive loss for the year ended December 31, 2016, net of income tax	-	-	-	(2,985)	(10,590)	(13,575)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	2,079,670	(10,590)	2,069,080
BALANCE AT DECEMBER 31, 2016	9,082,615	322,880	848,678	2,086,241	20,025	12,360,439
Appropriation of 2016 earnings	-	208,266	-	(208,266)	-	-
Legal reserve	-	-	624,796	(624,796)	-	-
Special reserve	-	-	-	(908,262)	-	(908,262)
Cash dividends distributed by the Company	-	-	-	(336,056)	-	-
Share dividends distributed by the Company	336,056	-	-	-	-	-
Profit for the year ended December 31, 2017	-	-	-	1,747,981	-	1,747,981
Other comprehensive loss for the year ended December 31, 2017, net of income tax	-	-	-	(44,919)	(52,197)	(97,116)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	1,703,062	(52,197)	1,650,865
BALANCE AT DECEMBER 31, 2017	\$ 9,418,671	\$ 531,146	\$ 1,473,474	\$ 1,711,923	\$ (32,172)	\$ 13,103,042

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

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 2,201,279	\$ 2,594,067
Adjustments for:		
Depreciation expenses	821,706	653,628
Amortization expenses	452,388	804,933
Reversal of impairment loss on trade receivables	(4,027)	(3,398)
Finance costs	118,867	127,344
Interest income	(67,961)	(33,712)
Dividend income	(78)	(614)
Share of profit of subsidiary and associate	(162,895)	(177,861)
Loss on disposal of property, plant and equipment	1,352	116
Impairment loss recognized on non-financial assets	88,153	136,660
Unrealized net loss (gain) on foreign currency exchange	242,929	(99,418)
Recognized (reversal) of provisions	(24,962)	69,995
Other income from liabilities	(5,951)	(23,281)
Net changes in operating assets and liabilities		
Notes receivable	(18,782)	15,074
Trade receivables	(2,153,203)	(714,060)
Other receivables	92,559	(22,742)
Inventories	664,193	1,002,931
Other current assets	(1,173,416)	784,878
Trade payables	182,150	(31,238)
Other payables	140,940	47,169
Unearned receipts	(59,371)	(3,901)
Other current liabilities	331,899	42,501
Net defined benefit liabilities	33,422	-
Deferred income	351	-
Cash generated from operations	1,701,542	5,169,071
Interest received	55,382	31,789
Interest paid	(120,343)	(124,881)
Income tax paid	(564,694)	(542,992)
Net cash generated from operating activities	1,071,887	4,532,987
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets measured at cost	-	(33,000)
Payments for investment accounted for using equity method	-	(16,590)
Payments for property, plant and equipment	(1,462,377)	(1,938,769)
Proceeds from disposal of property, plant and equipment	2,599	-
Increase in refundable deposits	(16,160)	(15,437)
Decrease in refundable deposits	19,502	23,469
Payments for intangible assets	(656,011)	(1,139,396)
Increase in other financial assets	(1,993,525)	-
Decrease in other financial assets	-	578,071

(Continued)

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2017	2016
Increase in prepayments for equipment	\$ (253,985)	\$ (689,758)
Dividend received	<u>494,659</u>	<u>52,135</u>
Net cash used in investing activities	<u>(3,865,298)</u>	<u>(3,179,275)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	52,302,000	51,080,000
Repayments of short-term borrowings	(52,987,000)	(49,530,000)
Proceeds from short-term bills payable	8,692,399	7,688,961
Repayments of short-term bills payable	(8,191,952)	(7,387,671)
Proceeds from long-term borrowings	3,570,000	-
Repayments of long-term borrowings	(1,167,606)	(964,399)
Proceeds of guarantee deposits received	252,141	214,271
Refund of guarantee deposits	(260,295)	(229,370)
Dividends paid to owners of the Company	<u>(908,262)</u>	<u>(1,235,236)</u>
Net cash generated from (used in) financing activities	<u>1,301,425</u>	<u>(363,444)</u>
NET INCREASE (DECREASE) IN CASH	(1,491,986)	990,268
CASH AT THE BEGINNING OF THE YEAR	<u>2,545,007</u>	<u>1,554,739</u>
CASH AT THE END OF THE YEAR	<u>\$ 1,053,021</u>	<u>\$ 2,545,007</u>

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

(Concluded)

Aerospace Industrial Development Corporation
Proposal for Earnings Distribution of 2017 Profits

Currency: in NTD

Item	Amounts
Undistributed earnings at beginning of period	8,862,131
Remeasurement of defined benefit plans	(44,919,600)
Undistributed earnings after adjustment	(36,057,469)
Annual net profit after tax	1,747,981,226
Less Items :	
Legal reserve (10%)	(171,192,376)
Law-listing Special reserve	(32,171,789)
Self-listing Special reserve (25%)	(427,980,939)
Accumulate available for distribution surplus	1,080,578,653
Distribution Items :	
Shareholder cash dividend (NT\$ 1.13 per share)	(1,064,309,824)
Total current surplus distribution	(1,064,309,824)
Undistributed earnings at the end of period	16,268,829

Mapping of the amended provisions of the Acquisition and Disposal Procedures for Assets

After amendment		Before amendment		Cause of amendment
Article 3	<p>Terms used in these Regulations are defined as follows:</p> <p>1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.</p> <p>2. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act and other acts, or to transfer of shares from another Company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156, paragraph 8 of the Company Act.</p> <p>3. Related party or subsidiary: As defined in</p>	Article 3	<p>Terms used in these Regulations are defined as follows:</p> <p>1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.</p> <p>2. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, <u>Financial Holding Company Act</u>, <u>Financial Institution Merger Act</u> and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156, paragraph 8 of the Company Act.</p>	<p>1. Amendment to the provision.</p> <p>2. Amendments to the provisions refer to AIDC's business operations</p>

After amendment	Before amendment	Cause of amendment
<p>the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>4. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.</p> <p>5. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.</p> <p>6. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.</p>	<p>3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>4. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.</p> <p>5. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.</p> <p>6. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.</p>	
<p>Article 5</p> <p>When The procedures for the acquisition and disposal of assets are adopted or amended, they shall be approved by more than half of all audit committee members and submitted to the board of directors for a</p>	<p>Article 5</p> <p>When The procedures for the acquisition and disposal of assets are adopted or amended, they shall be approved by more than half of all audit committee members and submitted to the board of directors for a</p>	<p>1. Amendment to the provision.</p> <p>2. In accordance with Governing the Acquisition and Disposal of Assets by</p>

After amendment	Before amendment	Cause of amendment
<p>resolution. If approval of more than half of all audit committee members as required is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</p> <p><u>Establish its procedures for the acquisition or disposal of assets in accordance with the provisions of these Regulations. After the procedures have been approved by the board of directors and then to a shareholders' meeting for approval; the same applies when the procedures are amended.</u></p>	<p>resolution. If approval of more than half of all audit committee members as required is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</p>	<p>Public Companies Article 6.</p>
<p>Article 6 The acquisition and disposal of assets shall be conducted according to the subject provisions and in compliance with the following procedures:</p> <ol style="list-style-type: none"> 1. Related party transaction: the provisions of ESP-AR-023 Operating Regulations of AIDC Related Party Transaction. 2. Derivatives trading: the provisions of ESP-GR-002 Operating Regulations of AIDC Derivatives Trading. 3. Fixed and Intangible Assets Disposal: the provisions of SP-GR-023 Operating Regulations of AIDC Fixed and Intangible Assets Acquisition, SP-GR-022 Operating Regulations of AIDC Fixed and Intangible Assets Disposal. 4. <u>Financial dispatch and funding operation: the provisions of SP-GR-001 Operating Regulations of</u> 	<p>Article 6 The acquisition and disposal of assets shall be conducted according to the subject provisions and in compliance with the following procedures:</p> <ol style="list-style-type: none"> 1. Related party transaction: the provisions of ESP-AR-023 Operating Regulations of AIDC Related party transaction. 2. Derivatives trading: the provisions of ESP-GR-002 Operating Regulations of AIDC Derivatives trading. 3. Fixed and Intangible Asset Punishment: the provisions of SP-GR-023 Operating Regulations of AIDC Fixed and Intangible Asset Acquisition 、SP-GR-022 Operating Regulations of AIDC Fixed and Intangible Asset Acquisition Punishment. 4. <u>Transfer of shares of enterprises: the provisions of SP-GR-020 Operating Regulations of AIDC</u> 	<ol style="list-style-type: none"> 1. Amendment to the provision. 2. Modification of the provisions refers to AIDC's implementation of the current situation.

After amendment	Before amendment	Cause of amendment
<p><u>AIDC Financing, SP-GR-020 Operating Regulations of AIDC Trading of Financial Products.</u></p> <p>5. <u>Reinvestment: the provisions of SP-AR-007 Operating Regulations of AIDC Reinvestment Assessment and Management</u></p> <p>6. The degree of authority delegated, and the levels to which authority is delegated: the provisions of ESP-HR-009 Authorization and Responsibilities for Board of Directors, Chairman and General Manager of AIDC, SP-HR-049 AIDC Authorization and Responsibilities Hierarchical List.</p> <p>7. <u>Subsidiary Governance: the provisions of ESP-AR-021 Operating Regulations of AIDC Supervision and Management of Subsidiaries.</u></p>	<p><u>Transfer of shares of enterprises.</u></p> <p>5. The degree of authority delegated, and the levels to which authority is delegated: the provisions of ESP-HR-009 Authorization and Responsibilities for Board of Directors, Chairman and General Manager of AIDC 、SP-HR-049 AIDC Authorization and Responsibilities Hierarchical List.</p> <p>6. <u>Subsidiary Governance: the provisions of ESP-AR-021 Operating Regulations of AIDC supervision and management of subsidiaries.</u></p>	
<p>Article 6-2 Total amounts of real property, <u>reinvestment</u> and securities acquired by the Company and each subsidiary for non-business use, and limits on individual securities, except that subsidiaries of the domestic public companies shall comply with their own provisions of the procedures for the acquisition or disposal of assets, are defined as follows:</p> <p>1. The total amount of reinvestment made on other company as its limited liability shareholder shall not exceed 60 percent of <u>AIDC</u> paid-in capital.</p> <p>2. <u>Total amounts of stocks,</u></p>	<p>Article 6-2 Total amounts of real property and securities acquired by the company and each subsidiary for non-business use, and limits on individual securities, except that subsidiaries of the domestic public companies shall comply with their own provisions of the procedures for the acquisition or disposal of assets, are defined as follows:</p> <p>1. The total amount of reinvestment made on other company as its limited liability shareholder shall not exceed 60 percent of paid-in capital.</p> <p>2. Total amounts of securities acquired by the company</p>	<p>1. Amendment to the provision.</p> <p>2. Amendments to the provisions refer to the need to amend the business operations of AIDC Corporation.</p>

After amendment	Before amendment	Cause of amendment
<p><u>bonds and beneficial interest securities for the purpose of financial dispatch and funding operation</u> shall not exceed NT\$ 600 million, and limits on <u>preceding</u> individual securities shall not exceed 50 percent of total amounts.</p> <p><u>The preceding securities do not include the acquisition or disposal of government bonds, certificates of deposit, short-term bills, etc.</u></p> <p>3. Subsidiaries' investment in securities shall be in compliance with the provisions of ESP-AR-021 Operating Regulations of AIDC supervision and management of subsidiaries.</p> <p>4. Total amounts of real property acquired by the Company and each subsidiary for non-business use shall not exceed 10 percent of each Company's paid-in capital.</p>	<p>shall not exceed \$600 million, and limit on individual securities is not to exceed 50 percent of total amounts.</p> <p>Subsidiaries' investment in securities shall be in compliance with the provisions of ESP-AR-021 Operating Regulations of AIDC supervision and management of subsidiaries.</p> <p>3. Total amounts of real property acquired by the company and each subsidiary for non-business use shall not exceed 10 percent of each company's paid-in capital.</p>	
<p>Article 7</p> <p>In acquiring or disposing of real property or equipment where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>1. Where due to special circumstances it is necessary to give a</p>	<p>Article 7</p> <p>In acquiring or disposing of real property or equipment where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a government <u>agency</u>, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>1. Where due to special circumstances it is necessary to give a limited</p>	<p>1. Amendment to the provision.</p> <p>2. In accordance with Governing the Acquisition and Disposal of Assets by Public Companies Article 9.</p>

After amendment	Before amendment	Cause of amendment
<p>limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.</p> <p>2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>A. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p>	<p>price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.</p> <p>2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>A. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p>	

After amendment		Before amendment	Cause of amendment
<p>B. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</p> <p>4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p>		<p>B. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</p> <p>4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p>	
Article 9	The company acquires or disposes of intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.	Article 9 The company acquires or disposes of intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a government <u>agency</u> , the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.	<p>1. Amendment to the provision.</p> <p>2. In accordance with Governing the Acquisition and Disposal of Assets by Public Companies Article 11.</p>
Article 11	When the company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of	Article 11 When the company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of	<p>1. Amendment to the provision.</p> <p>2. In accordance with Governing the Acquisition and Disposal of Assets by Public Companies Article 14.</p>

After amendment	Before amendment	Cause of amendment
<p>government bonds or bonds under repurchase and resale agreements, or subscription or redemption of <u>money market funds issued by domestic securities investment trust enterprises</u>, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by more than half of all audit committee members and submitted to the board of directors for a resolution. If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</p> <ol style="list-style-type: none"> 1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets. 2. The reason for choosing the related party as a trading counterparty. 3. With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with <u>Article 12</u> 、 <u>Article 13</u> and <u>Article 14</u>. 4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related 	<p>government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by more than half of all audit committee members and submitted to the board of directors for a resolution. If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.</p> <ol style="list-style-type: none"> 1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets. 2. The reason for choosing the related party as a trading counterparty. 3. With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 13 and Article 14. 4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related party. 5. Monthly cash flow forecasts for the year 	

After amendment	Before amendment	Cause of amendment
<p>party.</p> <p>5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.</p> <p>7. Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 26, paragraph 2 of the Act, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and recognized by the audit committee need not be counted toward the transaction amount.</p> <p>With respect to the acquisition or disposal of business-use equipment between the company and its parent or subsidiaries, the company's board of directors may pursuant to ESP-HR-009 Authorization and Responsibilities for Board of Directors, Chairman and General Manager of AIDC delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by</p>	<p>commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.</p> <p>7. Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 26, paragraph 2 of the Act, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and recognized by the audit committee need not be counted toward the transaction amount.</p> <p>With respect to the acquisition or disposal of business-use equipment between the company and its parent or subsidiaries, the company's board of directors may pursuant to ESP-HR-009 Authorization and Responsibilities for Board of Directors, Chairman and General Manager of AIDC delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.</p> <p>When a matter is submitted</p>	

After amendment	Before amendment	Cause of amendment
<p>the next board of directors meeting.</p> <p>When a matter is submitted for discussion by the board of directors, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p>	<p>for discussion by the board of directors, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p>	
<p>Article 19</p> <p>The company participating in a merger, demerger, acquisition, or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply.</p> <p><u>However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in</u></p>	<p>Article 19</p> <p>The company participating in a merger, demerger, acquisition, or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply.</p>	<ol style="list-style-type: none"> 1. Amendment to the provision. 2. In accordance with Governing the Acquisition and Disposal of Assets by Public Companies Article 22.

After amendment	Before amendment	Cause of amendment
<u>which the Company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.</u>		
<p>Article 26 Under any of the following circumstances, the company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:</p> <ol style="list-style-type: none"> 1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of <u>money market funds issued by domestic securities investment trust enterprises.</u> 2. Merger, demerger, acquisition, or transfer of shares. 3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company. 4. <u>Where the type of asset acquired or disposed is equipment for business use, the trading</u> 	<p>Article 26 Under any of the following circumstances, the company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:</p> <ol style="list-style-type: none"> 1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds. 2. Merger, demerger, acquisition, or transfer of shares. 3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company. 4. Where an asset transaction other than any of those referred to in the preceding <u>three</u> subparagraphs, <u>a disposal of receivables by a financial institution</u>, or an investment in the mainland 	<ol style="list-style-type: none"> 1. Amendment to the provision. 2. The deletion of some provisions is a reference to the company's operating items 3. In accordance with Governing the Acquisition and Disposal of Assets by Public Companies Article 30.

After amendment	Before amendment	Cause of amendment
<p><u>counterparty is not a related party, and the transaction amount meets any of the following criteria:</u></p> <p><u>A. The company paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.</u></p> <p><u>B. The company paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.</u></p> <p><u>5. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction reaches NT\$500 million.</u></p> <p><u>6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</u></p> <p><u>A. Trading of government bonds.</u></p> <p><u>B. Trading of bonds under repurchase/resale agreements, or subscription or redemption of money market funds issued by</u></p>	<p>China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>A. Trading of government bonds.</p> <p><u>B. Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription of securities by a securities firm, either in the primary market or in accordance with relevant regulations.</u></p> <p><u>C. Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.</u></p> <p><u>D. Where the type of asset acquired or disposed is equipment/machinery for business use, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.</u></p> <p><u>E. Acquisition or disposal by a public company in the construction business of real property for construction use, where the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.</u></p> <p><u>F. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction</u></p>	

After amendment	Before amendment	Cause of amendment
<p><u>domestic securities investment trust enterprises.</u></p> <p>The amount of transactions above shall be calculated as follows:</p> <ol style="list-style-type: none"> 1. The amount of any individual transaction. 2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year. 3. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year. 4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year. <p>"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.</p> <p>The company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.</p>	<p><u>and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction is less than NT\$500 million.</u></p> <p>The amount of transactions above shall be calculated as follows:</p> <ol style="list-style-type: none"> 1. The amount of any individual transaction. 2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year. 3. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year. 4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year. <p>"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.</p> <p>The company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed</p>	

After amendment	Before amendment	Cause of amendment
<p>When the company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in <u>their entirety within two days counting inclusively from the date of knowing of such error or omission.</u></p> <p>The company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company headquarters, where they shall be retained for 5 years except where another act provides otherwise.</p>	<p>format into the information reporting website designated by the FSC by the 10th day of each month.</p> <p>When the company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety.</p> <p>The company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company headquarters, where they shall be retained for 5 years except where another act provides otherwise.</p>	