



**Aerospace Industrial Development Corporation**  
**Meeting Minutes**  
**Of**  
**2019 Annual Shareholders' Meeting**  
**(Translation)**

Date: 31 May 2019

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)**

## **2019 Annual Shareholders' Meeting Minutes**

Time and Date: 10:00 a.m., 31 May 2019 (Friday)

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:  
619,429,221 shares (including 606,291,632 shares casted electronically)

Percentage of outstanding shares held by shareholders present in person or by  
proxy: 65.76%

Chairman: Kai-Hung Hu, the Chairman of the Board of Directors

Directors Present: Wan-June Ma; Ming-Pin Chang; Fuh-Sheng Shieu;  
Cheng-Tao Yu; Chung-Ming Hsu; Chia-Chang Chan  
(Convener of Remuneration Committee and Audit  
Committee); Yin-Chin Chen, (Member of Remuneration  
Committee and Audit Committee); Li-Jen Lien (Member of  
Audit Committee)

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 2018, as shown in Attachment I .

Item 2: Independent Directors Review Report of 2018, as shown in Attachment II.

Item 3: Report on 2018 compensation to employees and directors, as shown in Attachment III.

Acknowledged

#### IV. Ratifications

Item 1: Ratification of the 2018 Business Report and Financial Statements (Proposed by the Board of Directors)

Description: I. AIDC's 2018 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 Ms. Lie-Dong Wu and Mr. Done-Yuin Tseng, CPA of Deloitte & Touche.

II. Business Report of 2018, Independent Auditors' Report, and aforementioned financial statements, are shown in Attachments I and IV.

#### Voting Results:

Item	Electronically	Voting rights	Represent total	%
Votes in favor	579,012,279	12,258,169	591,270,448	95.45%
Votes against	273,599	0	273,599	0.04%
Votes invalid	0	0	0	0.00%
Vote abstained	27,005,754	867,420	27,873,174	4.51%
Total votes	606,291,632	13,125,589	619,417,221	100.00%

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

Item 2: Ratification of the proposal for Earnings Distribution of 2018 Profits (Proposed by the Board of Directors)

Description: I. The company's net profit after taxes for 2018 was NT\$2,092,015,986. Based on the Company's Articles of Incorporation article 28-1 reserve allocation, the current distributable surplus is NT\$1,274,212,273, as shown in Attachment V.

II. The company plans to distribute a cash dividend of NT\$1.34 per share for 2018. 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	578,897,153	12,430,783	591,327,936	95.46%
Votes against	390,801	103,482	494,283	0.07%
Votes invalid	0	0	0	0.00%
Vote abstained	27,003,678	591,324	27,595,002	4.47%
Total votes	606,291,632	13,125,589	619,417,221	100.00%

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

### V. Discussion (I)

Proposal 1: Discussion on amendments to Company's Articles of Incorporation (Proposed by the Board of Directors)

Description: I. Pursuant to the amendments to Company Act on August 1, 2018, the Company's Articles of Incorporation is amended accordingly.

II. The comparisons between the original and the amended provisions are shown in Attachment VI.

### Voting Results:

Item	Electronically	Voting rights	Represent total	%
Votes in favor	577,862,280	12,282,735	590,145,015	95.27%
Votes against	316,009	105,134	421,143	0.06%
Votes invalid	0	0	0	0.00%
Vote abstained	28,113,343	737,720	28,851,063	4.67%
Total votes	606,291,632	13,125,589	619,417,221	100.00%

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

Proposal 2: Discussion on amendments to the Company's Acquisition and Disposal Procedures for Assets (Proposed by the Board of Directors)

Description: I. Pursuant to the amendments to Regulations Governing the Acquisition and Disposal of Assets by Public Companies on November 26, 2018, the

Company's Acquisition and Disposal Procedures for Assets is amended accordingly.

- II. The comparisons between the original and the amended provisions are shown in Attachment VII.

**Voting Results:**

Item	Electronically	Voting rights	Represent total	%
Votes in favor	578,884,798	12,390,851	591,275,649	95.45%
Votes against	392,674	0	392,674	0.06%
Votes invalid	0	0	0	0.00%
Vote abstained	27,014,160	744,738	27,758,898	4.49%
Total votes	606,291,632	13,135,589	619,427,221	100.00%

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

**VI. Election**

Proposal 1: Electing the 8<sup>th</sup> Board of Independent Director  
(Proposed by the Board of Directors)

- Description:
- I. During the 8<sup>th</sup> Board election at 2018 Shareholders' Meeting, due to insufficient candidates, the number of independent directors failed to meet the requirements with one vacancy. Pursuant to Article 18-1 of Articles of Incorporation a by-election for one independent director is proposed; the term is from May 31, 2019 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 candidate for Independent Director for the 8<sup>th</sup> term that was passed by the Board in the session dated April 18, 2019 is shown in Attachment VIII.
  - III. Election will be held in accordance with the Company's Rules for the Election of Directors; the rules are shown on Meeting Handbook Pages 88-90.

## Election Result:

The election result is shown as follows:

Title	Shareholders' No. / ID No.	Name	Elected voting Received
Independent Director	F12243****	Lien, Li-Jen	387,924,902

## VII. Discussion (II)

Proposal 1: Discussion on exempting director 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 director and his representatives are shown in Attachment IX.

## Voting Results:

Exemption of Restrictions for Lien, Li-Jen Independent Director (serves as Manager, JYI-HER Recreation Company, Ltd.):

Item	Electronically	Voting rights	Represent total	%
Votes in favor	500,517,304	12,335,201	512,852,505	82.79%
Votes against	728,874	32,111	760,985	0.12%
Votes invalid	0	0	0	0.00%
Vote abstained	105,045,454	768,277	105,813,731	17.09%
Total votes	606,291,632	13,135,589	619,427,221	100.00%

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

### **VIII. Extempore Motions**

- ▶ Shareholder of account number 2098 offered suggestions on workplace justice, staff deployment and pass-down of techniques and experience.
  
- ▶ Shareholder of account number 1969 inquired about the year-on-year difference in the account receivable and the operating cash flow between 2017 and 2018.

The shareholders who made the aforesaid suggestion and inquiry received replies from the Chairman or designated staff from the Company.

### **IX. Meeting Adjournment**

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

## Business Report of 2018

Amidst fierce global competition, the Aerospace Industrial Development Corporation (hereinafter referred to as AIDC) has confronted significant challenges which have included; advanced countries adopting intelligent manufacturing with high production efficiency and tax preference to win back customers; emerging countries forming low-cost clusters with government resources to attain business opportunities; international companies demanding quality, efficiency and cost-benefit, coupled with raising trade protectionism from the US-China trade disputes. To survive this stringent environment, AIDC has continued its proactive pursuit of business opportunities. Again, with a concerted effort between employees and management, AIDC had successfully overcome all the difficulties and has hit a new record high in both revenue and profit in FY 2018.

Based on Boeing's forecasts of the commercial aviation market for the next 20 years, the Revenue Passenger Kilometer (RPK) will enjoy a 4.7% average annual growth, demand for airplanes with more than 30 seats is estimated at 42,700, representing a total market value of approximately \$6.3 trillion U.S. dollars. In response to the thriving requirement for point-to-point route, single-aisle aircraft is the mainstream model which accounts for more than 70% of the demand.

The Global Market Forecast released by Airbus also provides an optimistic outlook for the next 20 years. It is estimated that the RPK will have a 4.4% average annual growth, demand for new airplane with more than 100 seats is 37,400, representing a total market value of approximately \$5.8 trillion U.S. dollars. Asia-Pacific is expected to lead the demand with 40% new aircraft deliveries, followed by North America and Europe.

As for the aero engine market, Forecast International's forecast indicates that for the next 10 years there will be 156,000 deliveries, with a total value of \$898 billion U.S. dollars.

The above reflects a strong market demand for commercial aircraft and engines, accordingly AIDC is planning to; construct the Turbine Center Frame, enhance talent cultivation and technology development, participate in international events such as Farnborough Air Show, Taipei Aerospace & Defense Technology Exhibition; and Aircraft Interiors Expo Hamburg to present our self-developed aircraft seat, in the hope of responding prudently to the market opportunities and challenges alike.

For the current stage and in addition to exploring additional commercial aircraft business, AIDC is dedicated to fulfilling all our contractual obligations to current customers, achieving the objective of F-16A/B upgrade, and shall continue to focus on three primary tasks; "Indigenous Development of an Advanced Jet Trainer", "Intelligent Manufacturing" and "Supply Chain Integration".

Firstly, to achieve the "indigenous development of an advanced jet trainer", AIDC is making every effort to achieve the objectives including cultivate aerospace talents, lead industry development; and consolidate self-sustaining national defense. For mid- and long-term, the focus will be upon developing primary trainer, pursuing advanced trainer commercial maintenance, joining NCSIST and private sectors to push forward future performance upgrade of the Advanced Jet Trainer and ultimately developing new-generation fighter.

Secondly, intelligent manufacturing plays an essential role in the global aerospace industry development. AIDC applies its years of experience in digitalization as a base, to plan for intelligent manufacturing from three perspectives, namely; "intelligent machinery, intelligent manufacturing and intelligent management", and has developed its own iAIDC platform to introduce intelligent production

with focus on “intelligent machinery and production process” and “intelligent manufacturing and management “. In 2018 in recognition of AIDC’s continued implementation of lean production, digitalization manufacturing and intelligent management, AIDC was presented by the Industrial Bureau of Ministry of Economic Affairs an “Intelligent Machinery Model Enterprise Gold Award”. For mid- and long-term efforts, AIDC will continue to work toward intelligent plant and upgrade of its industrial competitiveness.

Thirdly, integration of Taiwan’s supply chain is a continuing effort in leading domestic aerospace and related industry members to lean transformation, expediting intelligent manufacturing and supply chain integration, jointly enhancing competitiveness, and creating a mature “Taiwan aerospace industry intelligent supply chain”. And to promote intelligent industry chain, AIDC shares its self-developed intelligent management system with domestic supply chain members, and offers free access to the iAIDC system, to execute shop floor intelligent management and to improve the value of the domestic supply chain.

Evidenced by the above, AIDC’s intelligent development is recognized by international companies such as; Airbus, Rolls-Royce, GE, Honeywell, to name a few, which have given high recognition of AIDC’s effort in promoting intelligent manufacturing, which is capable of quickly eliminating production bottlenecks, flexibly adjusting production priorities, reducing work force for repetitive and polluting work environments, and enhancing quality precision. Rolls-Royce while holding its Digital Transformation Forum on July 6, 2017, invited AIDC to make a presentation. Being the sole Asian supplier being invited, AIDC gave a report on “iAIDC Digital Manufacturing/Intelligent Plant Promotion”.

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 2018 and the business plan for FY 2019 are presented hereunder.

## **FY 2018 Operation Highlights**

### Revenue and Income

AIDC had consolidated revenue of NT\$28,182,100 thousand in FY 2018, which was an increase of 2.3% from NT\$27,537,410 thousand in FY 2017; net income was NT\$2,092,020 thousand in FY 2018, which was an increase of 19.7% from NT\$1,747,980 thousand in FY 2017; and earnings per share was NT\$2.22 in FY 2018, which was an increase of 19.4% comparing with NT\$1.86 in FY 2017.

The cost of aviation products are closely related to factors of production scale, learning curve efficiency and product portfolio. As the product in the low rate initial production phase the benefits of the learning curve is not observed, yet cost will be reduced as the production rate climbs and establishes a plateau. The ratio of early production commercial products was comparatively high with an increase in nonrecurring costs, therefore in FY 2018 the operating profit margin was 8%, and net profit margin was 7%.

### Research and Development Outlook

The R&D expenses of AIDC in FY 2018 amounted to NT\$545,217 thousand with the development of "Pilot Project for Aerospace Composites and Intelligent Manufacturing Industrial Innovation" together with 25 projects, results of which could help to upgrade the overall technological capability and production capacity while facilitating the pursuit of better business opportunities.

## Credentials and Awards

### **Corporate Governance:**

- \* Ranked in Top 20% Corporate Governance Evaluation TWSE listed companies in Apr. 2018
- \* Selected as “TWSE Taiwan High Compensation 100 Index” stock by Taiwan Stock Exchange Corporation in Jun. 2018
- \* Selected as “TWSE Corporate Governance 100 Index” stock by Taiwan Stock Exchange Corporation in Jul. 2018
- \* Selected as “TWSE Taiwan Employment Creation 99 Index” stock by Taiwan Stock Exchange Corporation in Jul. 2018
- \* Ranked 27th in the “CSR Award in Traditional Manufacturers Category” by the Global Views Magazine in Aug. 2018
- \* Presented the “2018 Smart Machinery Model Enterprise Gold Award” by Industrial Development Bureau, Ministry of Economic Affairs in Nov. 2018
- \* Awarded “2018 Taiwan Corporate Sustainability Awards”-Corporate Sustainability Report Awards (Traditional Manufacturing: Silver Medal) in Nov. 2018
- \* Recognized as Pengcheng 32 Evaluation Merit Unit by National Police Agency in Dec. 2018

### **Sustainable Environment:**

- \* Received “Green Procurement Enterprise and Group” Award by Taichung City Government in Jun. 2018
- \* Certified the 3 in 1 certification of ISO14001/TOSHMS Taiwan Occupational Safety and Health Management System OHSAS18001 in Sep. 2018
- \* Presented “Enterprise Environment Protection Award-Silver Medal” and “Outstanding Personnel Award for the Promotion of Environment Protection “ by the Environment Protection Administration, Executive Yuan in Dec. 2018

### **Labor-Management Relation**

- \* Received “Excellent Occupational Safety and Health Workplace Award” and “Outstanding Personnel Award for the Promotion of Healthy Workplace” by Kaohsiung City Government in Sep. 2018
- \* Received “ Excellent Occupational Safety and Health Workplace Five-Star Award” by Ministry of Labor in Sep. 2018
- \* Presented “Taiwan iSport Enterprise Certification Award” by the Sports Administration of the Ministry of Education in Oct. 2018
- \* Presented “Excellent Health Occupational and Health Management Award” and “Outstanding Personnel Award for the Promotion of Healthy Workplace” by Health Promotion Administration, Ministry of Health and Welfare in Oct. 2018
- \* Received “Excellent Occupational Safety and Health Workplace Award” by Taichung City Government in Nov. 2018 for 2 years in a row
- \* Received the “Happy Workplace Three-Star Award” presented by Labor Affairs Bureau, Taichung City Government in Nov. 2018

### **Social Responsibility:**

- \* Received the first national “Enterprise Volunteer Team” award from the Ministry of Health and Welfare in Dec. 2018

## **Business Plan for FY 2019**

### Business Development Planning

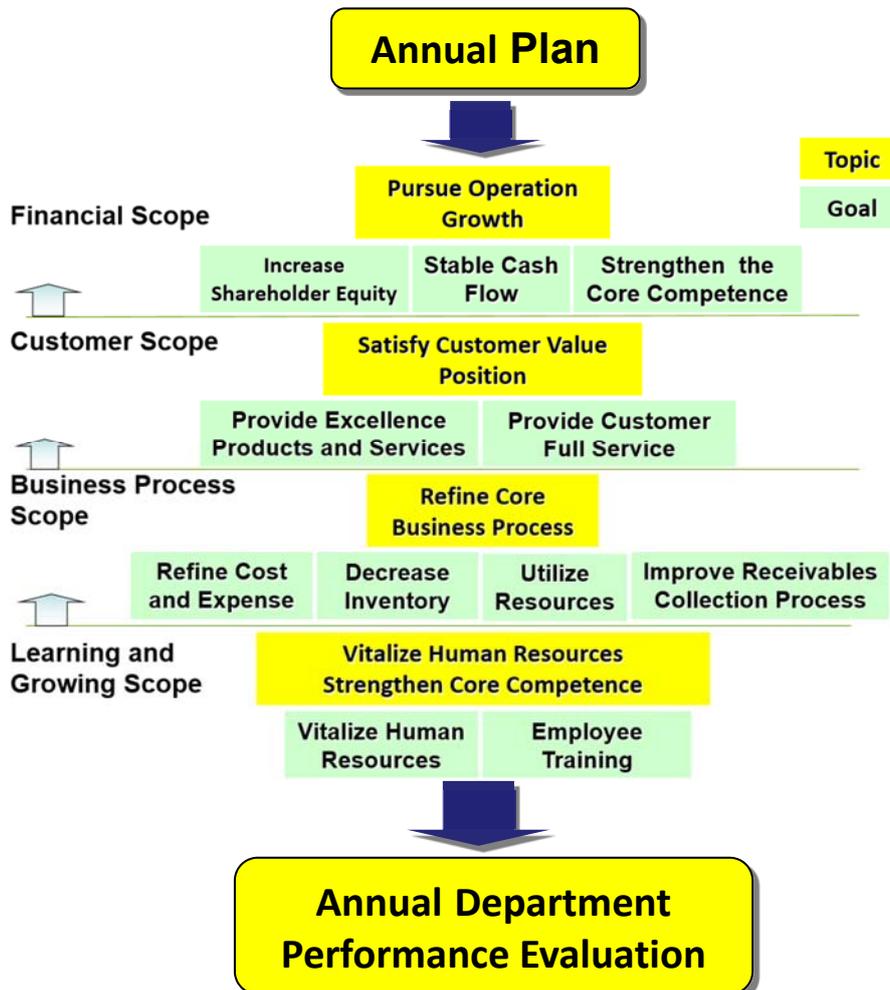
- \* In the area of defense business, AIDC is dedicated to expanding business in military aircraft manufacturing, maintenance, upgrade, fleet commercial maintenance, GOCO and military engine parts manufacturing and maintenance.
- \* In the area of commercial aviation, AIDC seeks to expand business in structural parts and assemblies of commercial aircraft and engines.

\* In the area of industrial technology service, AIDC will focus on R&D, design, manufacture, testing, system integration and after-sales service of products derived from the application of aerospace technology.

Corporate Management Policy

In response to the increasingly harsh competition within the global aerospace industry, AIDC will spare no effort to secure and pursue beneficial business opportunities and will continue to adopt a Balanced Scorecard (BSC) as a management tool. This BSC system helps to align and link AIDC’s vision, strategy, and objectives with major tasks and plans of each department, and with which AIDC is able to continue to improve its business management while implementing a culture of accountability.

The corporate business management policy of FY 2019 is to be formulated from the top down, and deployed from the bottom up and with confirmation. That is, the policy will be formulated through management team discussions, which encompasses three parts in the following order: (1) strategies (or directions); (2) objective of each strategy; and (3) major Key Performance Indicators (KPI) of each strategy objective. Together with the “SPEED Transformation Year” launched in 2019, this policy will be clearly illustrated and announced through corporate-level meetings for each department to deploy and develop its implementation plan accordingly as well as propose its action plans to reach KPIs from the bottom up. These tasks will be demonstrated in 87 action plans for Speed Transformation and 145 improvement proposals for lean production and will be confirmed by the management team before being included in department performance evaluation system in FY 2019. In the meantime, coordination with interfacing departments is essential in planning, and based on the "accountability" concept a clear division of work and responsibility will be established and carried through to achieve the desired results.



Faced with tremendous business opportunities and fierce competition in the global aerospace industry, AIDC will launch the “SPEED Transformation Year” to turn crisis into opportunity. The philosophy of SPEED (Smart, Process, Evolution, Effectiveness and Determination) will be implemented in each and every level and department to work in unison to facilitate AIDC’s transformation into a company with intelligent manufacturing capacity and to push forward its goal of sustainable development. AIDC will also continue making every effort to fulfill the three important missions of the “indigenous development of an advanced jet trainer”; “intelligent manufacturing”; and “integration of supply chain” while joining hands with domestic aerospace and related industries to become important players in the global aviation supply chain, which in turn will promote the upgrade of Taiwan’s domestic aerospace industry, and to boost the overall production value, while increasing AIDC’s revenue and profit thereby creating benefits for our valued; Customers, Shareholders, Suppliers, Employees and the communities which we operate in.

Chairman: Hu, Kai-Hung

President: Ma, Wan-June

Accounting Supervisor: Huang, Hsiu-Yen

## Independent Director Review Report

The Board of Directors has prepared the Company's 2018 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 the Financial Statements. The Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by the independent directors of Aerospace Industrial Development Corporation. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, We hereby submit this report.

To: Aerospace Industrial Development Corporation  
2019 Annual Shareholders' Meeting

Independent Director of Aerospace  
Industrial Development Corporation

A handwritten signature in black ink that reads "Chan Chia chung". The signature is written in a cursive, flowing style.

Date: March 28, 2019

## Independent Director Review Report

The Board of Directors has prepared the Company's 2018 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 the Financial Statements. The Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by the independent directors of Aerospace Industrial Development Corporation. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, We hereby submit this report.

To: Aerospace Industrial Development Corporation  
2019 Annual Shareholders' Meeting

Independent Director of Aerospace  
Industrial Development Corporation

A handwritten signature in black ink, appearing to read "Yin-Lin Chen". The signature is written in a cursive, flowing style.

Date: March 28, 2019

## **2018 Compensation to Employees and Directors**

The Board of Directors consented to the proposal of the 2018 Employees' Compensation and Remuneration to Directors in the board meeting of March 28, 2019. The proposal will be effective upon the approval by shareholders at the Annual Shareholders' Meeting on May 31, 2019.

1. The employees' compensation and the directors remuneration are NT\$121,276,607 and NT\$15,126,975 in cash respectively.
2. The amounts, cited above as expenses of 2018 net profit before income tax, are the same as the amounts proposed by the Board of Directors.

## **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 subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, 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, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, 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, 2018 are stated as follows:

### Impairment loss of inventory

The Group 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 Group 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 10 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 following:

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 have 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 which appeared to be obsolete or slow-moving items and traced them to the Company's impairment assessment worksheet.

### Warranties

The Group 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 19 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 following:

1. We obtained the documents based 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.

### **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, 2018 and 2017 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 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, 2018 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 28, 2019

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			
	2018		2017	
ASSETS	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash (Notes 4 and 6)	\$ 962,896	2	\$ 1,065,791	3
Notes receivable (Notes 4 and 9)	2,684	-	23,509	-
Trade receivables from unrelated parties (Notes 4 and 9)	15,036,728	38	9,278,949	28
Trade receivables from related parties (Notes 4 and 29)	310,857	1	308,373	1
Other receivables (Notes 4 and 9)	100,306	-	99,055	-
Inventories (Notes 4, 5 and 10)	6,798,041	17	6,770,848	20
Other financial assets - current (Notes 4, 15 and 30)	1,932,100	5	3,811,126	11
Other current assets (Notes 16 and 29)	3,871,208	10	1,754,280	5
Total current assets	29,014,820	73	23,111,931	68
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 7)	103,467	-	-	-
Financial assets measured at cost - non-current (Notes 4 and 8)	-	-	79,200	-
Investment accounted for using equity method (Notes 4 and 12)	602,985	2	428,906	2
Property, plant and equipment (Notes 4, 13 and 30)	8,352,719	21	8,718,654	26
Intangible assets (Notes 4 and 14)	867,785	2	1,000,404	3
Deferred tax assets (Notes 4 and 24)	286,129	1	305,324	1
Prepayments for equipment	376,417	1	81,682	-
Other financial assets - non-current (Notes 4, 15 and 30)	10,807	-	10,807	-
Other non-current assets (Notes 4, 9 and 16)	204,425	-	15,973	-
Total non-current assets	10,804,734	27	10,640,950	32
<b>TOTAL</b>	<b>\$ 39,819,554</b>	<b>100</b>	<b>\$ 33,752,881</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 17 and 30)	\$ 7,730,000	20	\$ 6,515,000	19
Short-term bills payable (Note 17)	2,499,575	6	2,499,329	7
Contract liabilities (Note 4)	83,898	-	148,945	1
Trade payables to unrelated parties	1,993,498	5	1,394,004	4
Trade payables to related parties (Note 29)	294,289	1	201,665	1
Other payables (Notes 18 and 29)	3,518,693	9	3,747,714	11
Current tax liabilities (Notes 4 and 24)	198,140	1	260,674	1
Current portion of long-term borrowings (Notes 17 and 30)	5,289,606	13	342,606	1
Net defined benefit liabilities - current (Notes 4 and 20)	82,447	-	33,422	-
Other current liabilities	115,461	-	365,558	1
Total current liabilities	21,805,607	55	15,508,917	46
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 17 and 30)	2,838,029	7	3,975,635	12
Provisions - non-current (Notes 4, 5 and 19)	771,067	2	939,150	3
Deferred tax liabilities (Notes 4 and 24)	65,179	-	21,677	-
Long-term deferred income	315	-	351	-
Guarantee deposits	205,740	1	204,109	-
Total non-current liabilities	3,880,330	10	5,140,922	15
Total liabilities	25,685,937	65	20,649,839	61
<b>EQUITY</b>				
Ordinary shares	9,418,671	23	9,418,671	28
Retained earnings				
Legal reserve	702,338	2	531,146	2
Special reserve	1,933,627	5	1,473,474	4
Unappropriated earnings	2,070,067	5	1,711,923	5
Other equity	8,914	-	(32,172)	-
Total equity	14,133,617	35	13,103,042	39
<b>TOTAL</b>	<b>\$ 39,819,554</b>	<b>100</b>	<b>\$ 33,752,881</b>	<b>100</b>

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			
	2018		2017	
	Amount	%	Amount	%
SALES (Notes 4, 22 and 29)	\$ 28,182,098	100	\$ 27,537,414	100
COST OF GOODS SOLD (Notes 10, 23 and 29)	<u>24,542,508</u>	<u>87</u>	<u>23,637,272</u>	<u>86</u>
GROSS PROFIT	<u>3,639,590</u>	<u>13</u>	<u>3,900,142</u>	<u>14</u>
OPERATING EXPENSES (Notes 23 and 29)				
Selling and marketing expenses	130,943	1	124,996	-
General and administrative expenses	618,777	2	598,200	2
Research and development expenses	545,217	2	407,178	2
Expected credit gain (Notes 4 and 9)	<u>(1,505)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>1,293,432</u>	<u>5</u>	<u>1,130,374</u>	<u>4</u>
PROFIT FROM OPERATIONS	<u>2,346,158</u>	<u>8</u>	<u>2,769,768</u>	<u>10</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4 and 23)	188,679	1	193,040	1
Other gains and losses (Notes 4 and 23)	15,374	-	(805,416)	(3)
Share of profit of associate (Note 4)	235,111	1	240,264	1
Finance costs (Note 4)	<u>(133,304)</u>	<u>(1)</u>	<u>(118,867)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>305,860</u>	<u>1</u>	<u>(490,979)</u>	<u>(2)</u>
PROFIT BEFORE INCOME TAX	2,652,018	9	2,278,789	8
INCOME TAX EXPENSE (Notes 4 and 24)	<u>560,002</u>	<u>2</u>	<u>530,808</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>2,092,016</u>	<u>7</u>	<u>1,747,981</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	(38,217)	-	(44,919)	-
Unrealized loss on investments in equity instruments designated as at fair value through other comprehensive income	(70,070)	-	-	-

(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			
	2018		2017	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ 16,819	-	\$ (52,197)	-
Other comprehensive loss for the year, net of income tax	(91,468)	-	(97,116)	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 2,000,548</u>	<u>7</u>	<u>\$ 1,650,865</u>	<u>6</u>
<b>EARNINGS PER SHARE (Note 25)</b>				
Basic	<u>\$ 2.22</u>		<u>\$ 1.86</u>	
Diluted	<u>\$ 2.21</u>		<u>\$ 1.85</u>	

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

(Concluded)

**AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company				Other Equity (Note 4)		Total Equity
	Ordinary Shares (Note 21)	Legal Reserve	Retained Earnings (Note 21)	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized gain (loss) on Investments in Equity Instruments Designated as at Fair Value Through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2017	\$ 9,082,615	\$ 322,880	\$ 848,678	\$ 2,086,241	\$ 20,025	\$ -	\$ 12,360,439
Appropriation of 2016 earnings	-	-	-	(208,266)	-	-	-
Legal reserve	-	208,266	-	(624,796)	-	-	-
Special reserve	-	-	624,796	(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
Effect of retrospective application and retrospective restatement	-	-	-	-	-	94,337	94,337
BALANCE AT JANUARY 1, 2018 AS RESTATED	9,418,671	531,146	1,473,474	1,711,923	(32,172)	94,337	13,197,379
Appropriation of 2017 earnings	-	-	-	(171,192)	-	-	-
Legal reserve	-	171,192	-	(460,153)	-	-	-
Special reserve	-	-	460,153	(1,064,310)	-	-	(1,064,310)
Cash dividends distributed by the Company	-	-	-	-	-	-	-
Profit for the year ended December 31, 2018	-	-	-	2,092,016	-	-	2,092,016
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	(38,217)	16,819	(70,070)	(91,468)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	2,053,799	16,819	(70,070)	2,000,548
BALANCE AT DECEMBER 31, 2018	\$ 9,418,671	\$ 702,338	\$ 1,933,627	\$ 2,070,067	\$ (15,353)	\$ 24,267	\$ 14,133,617

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)

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 2,652,018	\$ 2,278,789
Adjustments for:		
Depreciation expenses	900,289	822,009
Amortization expenses	424,181	452,388
Reversal of excepted credit loss on trade receivables	(1,505)	-
Reversal of impairment loss on trade receivables	-	(4,027)
Finance costs	133,304	118,867
Interest income	(58,757)	(67,964)
Dividend income	(90)	(78)
Share of profit of associate	(235,111)	(240,264)
Loss (gain) on disposal of property, plant and equipment	(812)	1,352
Impairment loss recognized on non-financial assets	20,044	88,153
Unrealized net loss on foreign currency exchange	1,691	242,930
Recognized (reversal) of provisions	4,023	(24,962)
Other income from liabilities	(11,080)	(5,951)
Amortized other non-current assets	20,096	-
Net changes in operating assets and liabilities		
Notes receivable	20,825	(18,782)
Trade receivables	(5,755,398)	(2,153,203)
Other receivables	(12,955)	92,559
Inventories	(217,343)	664,193
Other current assets	(2,267,703)	(1,140,100)
Contract liabilities	(65,047)	(59,371)
Trade payables	692,898	182,150
Other payables	(183,561)	142,156
Other current liabilities	(243,379)	332,088
Deferred income	(36)	351
Cash generated from (used in) operations	(4,183,408)	1,703,283
Interest received	70,462	55,385
Interest paid	(123,673)	(120,343)
Income tax paid	(549,031)	(608,346)
Net cash generated from (used in) operating activities	<u>(4,785,650)</u>	<u>1,029,979</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment	(567,743)	(1,462,412)
Proceeds from disposal of property, plant and equipment	9,114	2,599
Increase in refundable deposits	(21,744)	(16,160)
Decrease in refundable deposits	15,814	19,508
Payments for intangible assets	(270,032)	(656,011)
Decrease (increase) in other financial assets	1,876,535	(1,993,822)
Increase in other non-current assets	(201,573)	-

(Continued)

# AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Increase in prepayments for equipment	\$ (197,490)	\$ (253,985)
Dividend received	<u>77,726</u>	<u>544,148</u>
Net cash generated from (used in) investing activities	<u>720,607</u>	<u>(3,816,135)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	45,960,000	52,302,000
Repayments of short-term borrowings	(44,745,000)	(52,987,000)
Proceeds from short-term bills payable	32,096,560	8,692,399
Repayments of short-term bills payable	(32,096,314)	(8,191,952)
Proceeds from long-term borrowings	22,457,000	3,570,000
Repayments of long-term borrowings	(18,647,606)	(1,167,606)
Proceeds of guarantee deposits received	229,450	252,141
Refund of guarantee deposits	(227,819)	(260,295)
Dividends paid to owners of the Company	<u>(1,064,310)</u>	<u>(908,262)</u>
Net cash generated from financing activities	<u>3,961,961</u>	<u>1,301,425</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>187</u>	<u>(9,576)</u>
NET DECREASE IN CASH	(102,895)	(1,494,307)
CASH AT THE BEGINNING OF THE YEAR	<u>1,065,791</u>	<u>2,560,098</u>
CASH AT THE END OF THE YEAR	<u>\$ 962,896</u>	<u>\$ 1,065,791</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, 2018 and 2017, 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, 2018 and 2017, 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, 2018. 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, 2018 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 10 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 following:

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 have 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 which appeared to be 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 following:

1. We obtained the documents based 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 and 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, 2018 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 28, 2019

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			
	2018		2017	
ASSETS	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash (Notes 4 and 6)	\$ 935,112	2	\$ 1,053,021	3
Notes receivable (Notes 4 and 9)	2,684	-	23,509	-
Trade receivables from unrelated parties (Notes 4 and 9)	15,036,728	38	9,278,949	28
Trade receivables from related parties (Notes 4 and 28)	306,833	1	308,373	1
Other receivables (Notes 4 and 9)	95,341	-	99,055	-
Inventories (Notes 4, 5 and 10)	6,798,041	17	6,770,848	20
Other financial assets - current (Notes 4, 14 and 29)	1,932,100	5	3,810,829	12
Other current assets (Notes 4, 15 and 28)	<u>3,870,853</u>	<u>10</u>	<u>1,753,999</u>	<u>5</u>
Total current assets	<u>28,977,692</u>	<u>73</u>	<u>23,098,583</u>	<u>69</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 7)	103,467	-	-	-
Financial assets measured at cost - non-current (Notes 4 and 8)	-	-	79,200	-
Investment accounted for using equity method (Notes 4 and 11)	621,696	2	407,708	1
Property, plant and equipment (Notes 4, 12 and 29)	8,351,958	21	8,717,619	26
Intangible assets (Notes 4 and 13)	867,785	2	1,000,404	3
Deferred tax assets (Notes 4 and 23)	285,346	1	305,324	1
Prepayments for equipment	376,417	1	81,682	-
Other financial assets - non-current (Notes 4, 14 and 29)	10,807	-	10,807	-
Other non-current assets (Notes 4, 9 and 15)	<u>204,277</u>	<u>-</u>	<u>15,907</u>	<u>-</u>
Total non-current assets	<u>10,821,753</u>	<u>27</u>	<u>10,618,651</u>	<u>31</u>
<b>TOTAL</b>	<u>\$ 39,799,445</u>	<u>100</u>	<u>\$ 33,717,234</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 16 and 29)	\$ 7,730,000	19	\$ 6,515,000	19
Short-term bills payable (Note 16)	2,499,575	6	2,499,329	7
Contract liabilities (Note 4)	83,898	-	148,945	1
Trade payables to unrelated parties	1,993,498	5	1,394,004	4
Trade payables to related parties (Note 28)	294,289	1	201,665	1
Other payables (Notes 17 and 28)	3,512,496	9	3,746,589	11
Current tax liabilities (Notes 4 and 23)	184,252	1	226,705	1
Current portion of long-term borrowings (Notes 16 and 29)	5,289,606	13	342,606	1
Net defined benefit liabilities - current (Notes 4 and 19)	82,447	-	33,422	-
Other current liabilities	<u>115,437</u>	<u>-</u>	<u>365,049</u>	<u>1</u>
Total current liabilities	<u>21,785,498</u>	<u>54</u>	<u>15,473,314</u>	<u>46</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 16 and 29)	2,838,029	7	3,975,635	12
Provisions - non-current (Notes 4, 5 and 18)	771,067	2	939,150	3
Deferred tax liabilities (Notes 4 and 23)	65,179	-	21,633	-
Long-term deferred income (Note 4)	315	-	351	-
Guarantee deposits	<u>205,740</u>	<u>1</u>	<u>204,109</u>	<u>-</u>
Total non-current liabilities	<u>3,880,330</u>	<u>10</u>	<u>5,140,878</u>	<u>15</u>
Total liabilities	<u>25,665,828</u>	<u>64</u>	<u>20,614,192</u>	<u>61</u>
<b>EQUITY</b>				
Ordinary shares	9,418,671	24	9,418,671	28
Retained earnings				
Legal reserve	702,338	2	531,146	2
Special reserve	1,933,627	5	1,473,474	4
Unappropriated earnings	2,070,067	5	1,711,923	5
Other equity	<u>8,914</u>	<u>-</u>	<u>(32,172)</u>	<u>-</u>
Total equity	<u>14,133,617</u>	<u>36</u>	<u>13,103,042</u>	<u>39</u>
<b>TOTAL</b>	<u>\$ 39,799,445</u>	<u>100</u>	<u>\$ 33,717,234</u>	<u>100</u>

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			
	2018		2017	
	Amount	%	Amount	%
SALES (Notes 4, 21 and 28)	\$ 28,156,144	100	\$ 27,537,414	100
COST OF GOODS SOLD (Notes 10, 22 and 28)	<u>24,559,503</u>	<u>87</u>	<u>23,650,352</u>	<u>86</u>
GROSS PROFIT	<u>3,596,641</u>	<u>13</u>	<u>3,887,062</u>	<u>14</u>
OPERATING EXPENSES (Notes 22 and 28)				
Selling and marketing expenses	134,797	1	127,206	-
General and administrative expenses	577,999	2	583,057	2
Research and development expenses	545,217	2	407,178	2
Expected credit gain (Notes 4 and 9)	<u>(1,505)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>1,256,508</u>	<u>5</u>	<u>1,117,441</u>	<u>4</u>
PROFIT FROM OPERATIONS	<u>2,340,133</u>	<u>8</u>	<u>2,769,621</u>	<u>10</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4, 10 and 22)	188,665	1	193,037	1
Other gains and losses (Notes 4 and 22)	15,436	-	(805,407)	(3)
Share of profit of subsidiary and associate (Note 4)	197,169	1	162,895	1
Finance costs (Note 4)	<u>(133,304)</u>	<u>(1)</u>	<u>(118,867)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>267,966</u>	<u>1</u>	<u>(568,342)</u>	<u>(2)</u>
PROFIT BEFORE INCOME TAX	2,608,099	9	2,201,279	8
INCOME TAX EXPENSE (Notes 4 and 23)	<u>516,083</u>	<u>2</u>	<u>453,298</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>2,092,016</u>	<u>7</u>	<u>1,747,981</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	(38,217)	-	(44,919)	-
Unrealized loss on investments in equity instruments designated as at fair value through other comprehensive income	<u>(70,070)</u>	<u>-</u>	<u>-</u>	<u>-</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			
	2018		2017	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ 16,819	-	\$ (52,197)	-
Other comprehensive loss for the year, net of income tax	(91,468)	-	(97,116)	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 2,000,548</u>	<u>7</u>	<u>\$ 1,650,865</u>	<u>6</u>
<b>EARNINGS PER SHARE (Note 24)</b>				
Basic	<u>\$ 2.22</u>		<u>\$ 1.86</u>	
Diluted	<u>\$ 2.21</u>		<u>\$ 1.85</u>	

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

(Concluded)

**AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION**

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(In Thousands of New Taiwan Dollars)**

	Ordinary Shares (Note 20)	Retained Earnings (Note 20)		Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Other Equity (Note 4)		Total Equity
		Legal Reserve	Special Reserve			Unrealized gain (loss) on Investments in Equity Instruments Designated as at Fair Value	Through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2017	\$ 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)	-	-	-	-
Special reserve	-	-	624,796	(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
Effect of retrospective application and retrospective restatement	-	-	-	-	-	94,337	94,337	94,337
BALANCE AT JANUARY 1, 2018 AS RESTATED	9,418,671	531,146	1,473,474	1,711,923	(32,172)	-	-	13,197,379
Appropriation of 2017 earnings	-	171,192	-	(171,192)	-	-	-	-
Legal reserve	-	-	-	(460,153)	-	-	-	-
Special reserve	-	-	460,153	(1,064,310)	-	-	-	(1,064,310)
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-
Profit for the year ended December 31, 2018	-	-	-	2,092,016	-	-	-	2,092,016
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	(38,217)	16,819	(70,070)	(70,070)	(91,468)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	2,053,799	16,819	(70,070)	(70,070)	2,000,548
BALANCE AT DECEMBER 31, 2018	9,418,671	702,338	1,933,627	2,070,067	(15,353)	24,267	24,267	14,133,617

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)

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 2,608,099	\$ 2,201,279
Adjustments for:		
Depreciation expenses	899,987	821,706
Amortization expenses	424,181	452,388
Reversal of excepted credit loss on trade receivables	(1,505)	-
Reversal of impairment loss on trade receivables	-	(4,027)
Finance costs	133,304	118,867
Interest income	(58,743)	(67,961)
Dividend income	(90)	(78)
Share of profit of subsidiary and associate	(197,169)	(162,895)
Loss (gain) on disposal of property, plant and equipment	(812)	1,352
Impairment loss recognized on non-financial assets	20,044	88,153
Unrealized net loss on foreign currency exchange	1,693	242,929
Recognized (reversal) of provisions	4,023	(24,962)
Other income from liabilities	(11,080)	(5,951)
Amortized other non-current assets	20,096	-
Net changes in operating assets and liabilities		
Notes receivable	20,825	(18,782)
Trade receivables	(5,751,374)	(2,153,203)
Other receivables	(7,990)	92,559
Inventories	(217,343)	664,193
Other current assets	(2,267,629)	(1,139,994)
Contract liabilities	(65,047)	(59,371)
Trade payables	692,898	182,150
Other payables	(188,633)	140,940
Other current liabilities	(242,894)	331,899
Deferred income	(36)	351
Cash generated from (used in) operations	(4,185,195)	1,701,542
Interest received	70,448	55,382
Interest paid	(123,673)	(120,343)
Income tax paid	(484,204)	(564,694)
Net cash generated from (used in) operating activities	<u>(4,722,624)</u>	<u>1,071,887</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment	(567,743)	(1,462,377)
Proceeds from disposal of property, plant and equipment	9,114	2,599
Increase in refundable deposits	(21,665)	(16,160)
Decrease in refundable deposits	15,815	19,502
Payments for intangible assets	(270,032)	(656,011)
Decrease (increase) in other financial assets	1,876,238	(1,993,525)

(Continued)

# AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Increase in other non-current assets	\$ (201,573)	\$ -
Increase in prepayments for equipment	(197,490)	(253,985)
Dividend received	90	494,659
Net cash generated from (used in) investing activities	642,754	(3,865,298)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	45,960,000	\$ 52,302,000
Repayments of short-term borrowings	(44,745,000)	(52,987,000)
Proceeds from short-term bills payable	32,096,560	8,692,399
Repayments of short-term bills payable	(32,096,314)	(8,191,952)
Proceeds from long-term borrowings	22,457,000	3,570,000
Repayments of long-term borrowings	(18,647,606)	(1,167,606)
Proceeds of guarantee deposits received	229,450	252,141
Refund of guarantee deposits	(227,819)	(260,295)
Dividends paid to owners of the Company	(1,064,310)	(908,262)
Net cash generated from financing activities	3,961,961	1,301,425
<b>NET DECREASE IN CASH</b>	(117,909)	(1,491,986)
<b>CASH AT THE BEGINNING OF THE YEAR</b>	1,053,021	2,545,007
<b>CASH AT THE END OF THE YEAR</b>	\$ 935,112	\$ 1,053,021

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

(Concluded)

<b>Aerospace Industrial Development Corporation Proposal for Earnings Distribution of 2018 Profits</b>	
	Currency: in NTD
Item	Amounts
Undistributed earnings at beginning of period	16,268,829
Remeasurement of defined benefit plans	-38,217,340
Undistributed earnings after adjustment	-21,948,511
Annual net profit after tax	2,092,015,986
Less Items :	
Legal reserve ( 10% )	-207,006,748
Self-listing Special reserve (30%)	-621,020,243
Increase Items :	
Reversal of Special reserve	32,171,789
Accumulate available for distribution surplus	1,274,212,273
Distribution Items :	
Shareholder cash dividend (NT\$ 1.34 per share)	-1,262,101,915
Total current surplus distribution	-1,262,101,915
Undistributed earnings at the end of period	12,110,358

### Mapping of the original provisions of the Articles of Incorporation of AIDC and the provisions after amendment

After amendment	Before amendment	Cause of amendment
<p>Article 17-1 Shall the Company decide to terminate public offerings in the future, Article 156-<u>2</u> of the Company Act shall be followed.</p>	<p>Article 17-1 Shall the Company decide to terminate public offerings in the future, Article 156-<u>1</u> of the Company Act shall be followed.</p>	<ol style="list-style-type: none"> <li>1. Amendment to the provision.</li> <li>2. Pursuant to the adjustment of numbering of the Company Act, article regulating terminating public offerings is renumbered as Article 156-2. This amendment is made to comply with the source of law.</li> </ol>
<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 21<sup>st</sup> amendment was incorporated on June 14, 2016, the 22<sup>nd</sup> amendment was incorporated on June 14, 2017, <u>and the 23<sup>rd</sup> amendment was incorporated on May 31, 2019.</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 21<sup>st</sup> amendment was incorporated on June 14, 2016, <u>and</u> the 22<sup>nd</sup> amendment was incorporated on June 14, 2017.</p>	<ol style="list-style-type: none"> <li>1. Amendment to the provision.</li> <li>2. Addition of the note on amendment (23<sup>rd</sup> instance) and the date of amendment.</li> </ol>

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# The Articles of Incorporation of AIDC (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. F401021 Restrained Telecom Radio Frequency Equipment and Materials Import
15. E701030 Restrained Telecom Radio Frequency Equipment and Materials Construction
16. IF02010 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. D101040 Non-Public Electric Power Generation
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 Equipment 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 Wholesale of Virulence Chemical Substance

36. 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.

## **Chapter II Shares**

- 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 to be registered by the signatures or seals of at least 3 members of the BOD. The stock shares may then be issued to the public after being approved by the competent authority having such jurisdiction.
- 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.

## **Chapter III Shareholders' Meeting**

- 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, and the 23<sup>rd</sup> amendment was incorporated on May 31, 2019.

## Mapping of the original provisions of the Acquisition and Disposal of Assets Disposal Procedures after amendments

After amendment	Before amendment	Cause of amendment
<p>Article 1</p> <p>These regulations are adopted in accordance with the provisions of Regulations Governing the Acquisition and Disposal of Assets by Public Companies of the Financial Supervisory Commission (FSC) to safeguard investors' interests, and the implementation of information disclosure.</p> <p>The company shall handle the acquisition or disposal of assets in compliance with these Regulations; provided, where <u>financial laws</u> or regulations provide otherwise, such provisions shall govern.</p>	<p>Article 1</p> <p>These regulations are adopted in accordance with the provisions of Regulations Governing the Acquisition and Disposal of Assets by Public Companies of the Financial Supervisory Commission (FSC) to safeguard investors' interests, and the implementation of information disclosure.</p> <p>The company shall handle the acquisition or disposal of assets in compliance with these Regulations; provided, where <u>another law</u> or regulation provides otherwise, such provisions shall govern.</p>	<p>1. Amendment to the provision in accordance with Governing the Acquisition and Disposal of Assets by Public Companies Article 2.</p> <p>2. The term of "another law or regulation" refers to public companies, such as banks, insurance companies, bill finance companies, securities firms, futures commission merchants or other financial enterprises, shall comply in accordance with the provisions of the other laws and regulations that govern their sectors when handle the acquisition or disposal of assets.</p>
<p>Article 2</p> <p>The term "assets" mentioned in these regulations, as established according to the company's business requirements, refers to the following items:</p> <ol style="list-style-type: none"> <li>1. Investments in stocks, government bonds, corporate bonds, and beneficial interest securities.</li> <li>2. Real property (including land, houses and buildings <u>and investment property</u>) and equipment.</li> <li>3. Patents, copyrights, trademarks, franchise rights,</li> </ol>	<p>Article 2</p> <p>The term "assets" mentioned in these regulations, as established according to the company's business requirements, refers to the following items:</p> <ol style="list-style-type: none"> <li>1. Investments in stocks, government bonds, corporate bonds, and beneficial interest securities.</li> <li>2. Real property (including land, houses and buildings, investment property, <u>and rights to use land</u>) and equipment.</li> <li>3. Patents, copyrights,</li> </ol>	<ol style="list-style-type: none"> <li>1. Amendment to the provision in accordance with Governing the Acquisition and Disposal of Assets by Public Companies Article 3.</li> <li>2. In accordance with IFRS16 Lease, Subparagraph 4 is added.</li> </ol>

After amendment	Before amendment	Cause of amendment
<p>and other intangible assets.  <del>4. Right-of-use assets.</del>  <del>5. Derivatives.</del>  <del>6. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.</del>  <del>7. Other major assets.</del></p>	<p>trademarks, franchise rights, and other intangible assets.  <del>4. Derivatives.</del>  <del>5. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.</del>  <del>6. Other major assets.</del></p>	
<p>Article 3  Terms used in these Regulations are defined as follows:  1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a <u>specified</u> interest rate, <u>financial instrument price</u>, <u>commodity price</u>, foreign exchange rate, index of prices or rates, credit rating or credit index, or other <u>variable</u>; or <u>hybrid contracts combining the above contracts</u>; or <u>hybrid contracts or structured products containing embedded derivatives</u>. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.  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 therefore (hereinafter "transfer of shares") under Article 156-3 of the Company Act.  3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.3.Related</p>	<p>Article 3  Terms used in these Regulations are defined as follows:  1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, <u>and compound contracts combining the above products</u>, whose value is derived from <u>assets</u>, interest rates, foreign exchange rates, indexes or other <u>interests</u>. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.  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 therefore (hereinafter "transfer of shares") under Article 156, <u>paragraph 8</u> of the Company Act.  3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.  4. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or</p>	<p>1. Amendment to the provision in accordance with Governing the Acquisition and Disposal of Assets by Public Companies Article 4.  2. In accordance with IFRS 9 Financial Instrument, the scope of derivatives in Subparagraph 1 is amended.  3. Define domestic securities exchange, foreign securities exchange and over-the-counter venue.</p>

After amendment	Before amendment	Cause of amendment
<p>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>7. <u>Securities exchange:</u>  <u>"Domestic securities exchange" refers to the Taiwan Stock Exchange Corporation; "foreign securities exchange" refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.</u></p> <p>8. <u>Over-the-counter venue ("OTC venue", "OTC"):</u>  <u>"Domestic OTC venue" refers to a venue for OTC trading provided by a securities firm</u></p>	<p>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>	

After amendment	Before amendment	Cause of amendment
<p><u>in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.</u></p>		
<p>Article 4 Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall <u>meet the following requirements:</u></p> <p><u>1. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</u></p> <p><u>2. May not be a related party or de facto related party of any party to the transaction.</u></p> <p><u>3. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other. When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the</u></p>	<p>Article 4 Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall <u>not be a related party of any party to the transaction.</u></p>	<p>1. Amendment to the provision in accordance with Governing the Acquisition and Disposal of Assets by Public Companies Article 5.</p> <p>2. Specified responsibility and negative qualifications for external experts, and relevant matters in relation to issuance of evaluation report, audit and declaration.</p>

After amendment	Before amendment	Cause of amendment
<p><u>following:</u></p> <ol style="list-style-type: none"> <li>1. <u>Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</u></li> <li>2. <u>When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</u></li> <li>3. <u>They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</u></li> <li>4. <u>They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.</u></li> </ol>		
<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"> <li>1. Related party transaction: the provisions of ESP-AR-023 Operating Regulations of AIDC Related Party Transaction.</li> <li>2. Derivatives trading: the provisions of ESP-GR-002 Operating Regulations of AIDC Derivatives Trading.</li> <li>3. Fixed and Intangible Assets Disposal: the provisions of SP-GR-023 Operating Regulations of Fixed and Intangible Assets Acquisition,</li> </ol>	<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"> <li>1. Related party transaction: the provisions of ESP-AR-023 Operating Regulations of AIDC Related Party Transaction.</li> <li>2. Derivatives trading: the provisions of ESP-GR-002 Operating Regulations of AIDC Derivatives Trading.</li> <li>3. Fixed and Intangible Assets Disposal: the provisions of SP-GR-023 Operating Regulations of <u>AIDC</u> Fixed and Intangible Assets</li> </ol>	<p>Amendment to the provision in accordance with Governing the Acquisition and Disposal of Assets by Public Companies Article 7, the operating regulation of information declaration is added.</p>

After amendment	Before amendment	Cause of amendment
<p>SP-GR-022 Operating Regulations of Fixed and Intangible Assets Disposal.</p> <p>4. Financial dispatch and funding operation: the provisions of SP-GR-001 Operating Regulations of AIDC Financing, SP-GR-020 Operating Regulations of Trading of Financial Products.</p> <p>5. Reinvestment: the provisions of SP-AR-007 Operating Regulations of Reinvestment Assessment</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. Subsidiary Governance: the provisions of ESP-AR-021 Operating Regulations of AIDC Supervision and Management of Subsidiaries.</p> <p>8. <u>Information declaration:SP-GR-037 Operating Regulations of market observatory post system.</u></p>	<p>Acquisition, SP-GR-022 Operating Regulations of <u>AIDC</u> Fixed and Intangible Assets Disposal.</p> <p>4. Financial dispatch and funding operation: the provisions of SP-GR-001 Operating Regulations of AIDC Financing, SP-GR-020 Operating Regulations of Trading of Financial Products.</p> <p>5. Reinvestment: the provisions of SP-AR-007 Operating Regulations of <u>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. Subsidiary Governance: the provisions of ESP-AR-021 Operating Regulations of AIDC Supervision and Management of Subsidiaries.</p>	
<p>Article 6-1 The company shall 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, they shall be submitted to each supervisor, and then to a shareholders' meeting for approval; the same applies when the procedures are amended. If any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to each audit committee member.</p> <p>When the procedures for the acquisition and disposal of assets are submitted for</p>	<p>Article 6-1 The company shall 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, they shall be submitted to each supervisor, and then to a shareholders' meeting for approval; the same applies when the procedures are amended. If any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to each audit committee member.</p> <p>When the procedures for the acquisition and disposal of assets are submitted for discussion by the board of</p>	<p>1. Amendment to the provision in accordance with Governing the Acquisition and Disposal of Assets by Public Companies Article 6.</p> <p>2. Adjust the Chinese entry of Article 6-1.</p>

After amendment	Before amendment	Cause of amendment
<p>discussion by the board of directors pursuant to the preceding paragraph, 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>Any transaction involving major assets or derivatives shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution. Article 5 of the Act shall apply.</p>	<p>directors pursuant to the preceding paragraph, 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>Any transaction involving major assets or derivatives shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution. Article 5 of the Act shall apply.</p>	
<p>Article 6-2 Total amounts of real property, reinvestment 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> <ol style="list-style-type: none"> <li>1. The total amount of reinvestment made on other company as its limited liability shareholder shall not exceed 60 percent of AIDC paid-in capital.</li> <li>2. Total amounts of stocks, bonds and beneficial interest securities for the purpose of financial dispatch and funding operation shall not exceed NT\$ 600 million, and limits on <u>forementioned</u> individual securities shall not exceed 50 percent of total amounts.</li> <li>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.</li> <li>4. Total amounts of real property and <u>right-of-use assets thereof</u> acquired by the Company and each subsidiary for non-business</li> </ol>	<p>Article 6-2 Total amounts of real property, reinvestment 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> <ol style="list-style-type: none"> <li>1. The total amount of reinvestment made on other company as its limited liability shareholder shall not exceed 60 percent of AIDC paid-in capital.</li> <li>2. Total amounts of stocks, bonds and beneficial interest securities for the purpose of financial dispatch and funding operation shall not exceed NT\$ 600 million, and limits on <u>preceding</u> individual securities shall not exceed 50 percent of total amounts. <u>The preceding securities do not include the acquisition or disposal of government bonds, certificates of deposit, short-term bills, etc.</u></li> <li>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.</li> <li>4. Total amounts of real</li> </ol>	<ol style="list-style-type: none"> <li>1. Amendment to the provision in accordance with Governing the Acquisition and Disposal of Assets by Public Companies Article 7.</li> <li>2. In accordance with IFRS16 Lease, the real property right-of-use assets for non-business use are included in the calculation of the Company's quota specified by the Company's procedures regulation.</li> </ol>

After amendment	Before amendment	Cause of amendment
<p>use shall not exceed 10 percent of each Company's paid-in capital.  <u>The securities of subparagraph 2 do not include the acquisition or disposal of government bonds, certificates of deposit, short-term bills, etc.</u></p>	<p>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 In acquiring or disposing of real property, equipment, <u>or right-of-use assets thereof</u> 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 <u>domestic</u> government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment <u>or right-of-use assets thereof held</u> 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> <ol style="list-style-type: none"> <li>1. Where due to special circumstances it is necessary to give a 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; the same procedure shall <u>also</u> be followed <u>whenever there is any subsequent</u> change to the terms and conditions of the transaction.</li> <li>2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</li> <li>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</li> </ol>	<p>Article 7 In acquiring or disposing of real property <u>or</u> 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> <ol style="list-style-type: none"> <li>1. Where due to special circumstances it is necessary to give a 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, <u>and</u> the same procedure shall be followed <u>for any future</u> changes to the terms and conditions of the transaction.</li> <li>2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</li> <li>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</li> </ol>	<ol style="list-style-type: none"> <li>1. Amendment to the provision in accordance with Governing the Acquisition and Disposal of Assets by Public Companies Article 9.</li> <li>2. In accordance with IFRS16 Lease, the transaction of acquiring real property of right-of-use assets with a related party is regulated in this Article.</li> </ol>

After amendment	Before amendment	Cause of amendment
<p>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>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>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>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>Article 9 The company acquires or disposes of intangible assets <u>or right-of-use assets thereof</u> 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.</p>	<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.</p>	<p>1. Amendment to the provision in accordance with Governing the Acquisition and Disposal of Assets by Public Companies Article 11.</p> <p>2. Same as the second cause of amendment of Article 7.</p>

After amendment	Before amendment	Cause of amendment
<p>Article 9-1</p> <p>The calculation of the transaction amounts referred to in the preceding three articles shall be done 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 for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.</p>	<p>Article 9-1</p> <p>The calculation of the transaction amounts referred to in the preceding three articles shall be done 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 for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.</p>	<p>1. Amendment to the provision in accordance with Governing the Acquisition and Disposal of Assets by Public Companies Article 12.</p> <p>2. Adjust the Chinese entry of Article 9-1.</p>
<p>Article 10-1</p> <p>When the company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Section and this Section.</p> <p>The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 26, paragraph 2 of the Act herein.</p> <p>When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.</p>	<p>Article 10-1</p> <p>When the company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Section and this Section.</p> <p>The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 26, paragraph 2 of the Act herein.</p> <p>When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.</p>	<p>1. Amendment to the provision in accordance with Governing the Acquisition and Disposal of Assets by Public Companies Article 14.</p> <p>2. Adjust the Chinese entry of Article 10-1.</p>
<p>Article 11</p> <p>When the company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof 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</p>	<p>Article 11</p> <p>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 government bonds or bonds under repurchase and</p>	<p>1. Amendment to the provision in accordance with Governing the Acquisition and Disposal of Assets by Public Companies Article 15.</p> <p>2. Specified bonds to domestic government bond and accords to IFRS 16 Lease to</p>

After amendment	Before amendment	Cause of amendment
<p>more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following 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"> <li>1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</li> <li>2. The reason for choosing the related party as a trading counterparty.</li> <li>3. With respect to the acquisition of real property or <u>right-of-use assets thereof</u> from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 12 、 Article 13 and Article 14.</li> <li>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.</li> <li>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</li> </ol>	<p>resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following 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"> <li>1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</li> <li>2. The reason for choosing the related party as a trading counterparty.</li> <li>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 12 、 Article 13 and Article 14.</li> <li>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.</li> <li>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.</li> <li>6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the</li> </ol>	<p>include right-of-use assets in this Article.</p> <ol style="list-style-type: none"> <li>3. With respect to the acquisition or disposal of equipment or right-of-use assets thereof held for business use and or real property right-of-use assets held for business use, Chairman of the Board may decide such matters and submitted to and ratified by the next board of directors meeting.</li> </ol>

After amendment	Before amendment	Cause of amendment
<p>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, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, 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>1. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</p> <p>2. Acquisition or disposal of real property right-of-use assets held for business use.</p> <p>When a matter is submitted for discussion by the board of directors, the board of directors</p>	<p>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 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>	

After amendment	Before amendment	Cause of amendment
<p>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 12 The company that acquires real property <u>or right-of-use assets thereof</u> from a related party shall evaluate the reasonableness of the transaction costs by the following means:</p> <ol style="list-style-type: none"> <li>1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.</li> <li>2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.</li> </ol> <p>Where land and structures thereupon are combined as a single property purchased <u>or leased</u> in one transaction by the company and related party, the transaction costs for the land and the structures may be separately appraised in accordance with either of the</p>	<p>Article 12 The company that acquires real property from a related party shall evaluate the reasonableness of the transaction costs by the following means:</p> <ol style="list-style-type: none"> <li>1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.</li> <li>2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.</li> </ol> <p>Where land and structures thereupon are combined as a single property purchased in one transaction by the company and related party, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.</p>	<ol style="list-style-type: none"> <li>1. Amendment to the provision in accordance with Governing the Acquisition and Disposal of Assets by Public Companies Article 16.</li> <li>2. In accordance with IFRS16 Lease, the transaction of acquiring real property of right-of-use assets with a related party is regulated in this Article.</li> </ol>

After amendment	Before amendment	Cause of amendment
<p>means listed in the preceding paragraph.</p> <p><u>The company that acquires real property or right-of-use assets thereof from a related party and appraises the cost of the real property or right-of-use assets thereof in accordance with the preceding two paragraphs shall also engage a CPA to check the appraisal and render a specific opinion.</u></p>		
<p>Article 13      Where the company acquires real property <u>or right-of-use assets thereof</u> from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Article 11 and the preceding paragraph do not apply:</p> <ol style="list-style-type: none"> <li>1. The related party acquired the real property <u>or right-of-use assets thereof</u> through inheritance or as a gift.</li> <li>2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property <u>or right-of-use assets thereof</u> to the signing date for the current transaction.</li> <li>3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build houses and buildings, either on the company's own land or on rented land.</li> <li>4. The real property right-of-use assets for business use are acquired by the public company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.</li> </ol>	<p>Article 13      Where the company acquires real property from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Article 11 and the preceding paragraph do not apply:</p> <ol style="list-style-type: none"> <li>1. The related party acquired the real property through inheritance or as a gift.</li> <li>2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.</li> <li>3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build houses and buildings, either on the company's own land or on rented land.</li> </ol>	<ol style="list-style-type: none"> <li>1. Amendment to the provision in accordance with Governing the Acquisition and Disposal of Assets by Public Companies Article 16.</li> <li>2. Same as the second cause of amendment of Article 12.</li> </ol>
<p>Article 14      When the results of the company's appraisal conducted in accordance with paragraph 1 and paragraph 2 of the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 15.</p>	<p>Article 14      When the results of the company's appraisal conducted in accordance with paragraph 1 and paragraph 2 of the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 15.</p>	<ol style="list-style-type: none"> <li>1. Amendment to the provision in accordance with Governing the Acquisition and Disposal of Assets by Public Companies</li> </ol>

After amendment	Before amendment	Cause of amendment
<p>However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:</p> <p>1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>A. Where undeveloped land</p> <p>Is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>B. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market <u>sale or leasing</u> practices.</p> <p>C. Completed leasing transactions by unrelated parties for other floors of the same property from</p>	<p>However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:</p> <p>1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>A. Where undeveloped land</p> <p>Is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>B. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.</p> <p>C. Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year,</p>	<p>Article 17. 2. Same as the second cause of amendment of Article 12.</p>

After amendment	Before amendment	Cause of amendment
<p>within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.</p> <p>2. Where a public company acquiring real property <u>or right-of-use assets thereof</u> from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>Completed transactions <u>involving</u> neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property <u>or obtainment of the right-of-use assets thereof.</u></p>	<p>where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.</p> <p>2. Where a public company acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>Completed transactions <u>for</u> neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.</p>	
<p>Article 15</p> <p>Where the company acquires real property <u>or right-of-use assets thereof</u> from a related party and the results of appraisals conducted in accordance with Article 12 ,13 ,and Article 14 are uniformly lower than the transaction price, the following steps shall betaken:</p> <p>1. A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Act against the difference</p>	<p>Article 15</p> <p>Where the company acquires real property from a related party and the results of appraisals conducted in accordance with Article 12 ,13 ,and Article 14 are uniformly lower than the transaction price, the following steps shall betaken:</p> <p>1. A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Act against the difference between the real property</p>	<p>1. Amendment to the provision in accordance with Governing the Acquisition and Disposal of Assets by Public Companies Article 18.</p> <p>2. Same as the second cause of amendment of Article 12.</p>

After amendment	Before amendment	Cause of amendment
<p>between the real property <u>or right-of-use assets thereof</u> transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph of the Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.</p> <p>2. Such as supervisors, independent director members of the audit committee shall comply with Article 218 of the Company Act.</p> <p>3. Actions taken pursuant to subparagraph 1 and subparagraph 2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p> <p>The company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased <u>or leased</u> at a premium, or they have been disposed of, <u>or the leasing contract has been terminated</u>, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.</p> <p>When a public company obtains real property <u>or right-of-use assets thereof</u> from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition</p>	<p>transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph of the Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.</p> <p>2. Such as supervisors, independent director members of the audit committee shall comply with Article 218 of the Company Act.</p> <p>3. Actions taken pursuant to subparagraph 1 and subparagraph 2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p> <p>The company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.</p> <p>When the company obtains real property from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arms length transaction.</p>	

After amendment	Before amendment	Cause of amendment
was not an arms length transaction.		
<p>Article 15-1 The company engaging in derivatives trading shall pay strict attention to control of the following important risk management and auditing matters, and incorporate them into their Procedures:</p> <ol style="list-style-type: none"> <li>1.Trading principles and strategies: Shall include the types of derivatives that may be traded, operating or hedging strategies, segregation of duties, essentials of performance evaluation, total amount of derivatives contracts that may be traded, and the maximum loss limit on total trading and for individual contracts.</li> <li>2. Risk management measures.</li> <li>3. Internal audit system.</li> <li>4. Regular evaluation methods and the handling of irregular circumstances.</li> </ol>	<p>Article 15-1 The company engaging in derivatives trading shall pay strict attention to control of the following important risk management and auditing matters, and incorporate them into their Procedures:</p> <ol style="list-style-type: none"> <li>1.Trading principles and strategies: Shall include the types of derivatives that may be traded, operating or hedging strategies, segregation of duties, essentials of performance evaluation, total amount of derivatives contracts that may be traded, and the maximum loss limit on total trading and for individual contracts.</li> <li>2. Risk management measures.</li> <li>3. Internal audit system.</li> <li>4. Regular evaluation methods and the handling of irregular circumstances.</li> </ol>	<ol style="list-style-type: none"> <li>1.Amendment to the provision in accordance with Governing the Acquisition and Disposal of Assets by Public Companies Article 19.</li> <li>2. Adjust the Chinese entry of Article 15-1.</li> </ol>
<p>Article 21 The company and the related companies participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.</p> <p>The company and the related companies participating in a transfer of shares shall call a board of directors meeting on the day of the transaction, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.</p> <p>When participating in a merger, demerger, acquisition, or transfer of another company's shares, the company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following</p>	<p>Article 21 The company and the related companies participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.</p> <p>The company and the related companies participating in a transfer of shares shall call a board of directors meeting on the day of the transaction, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.</p> <p>When participating in a merger, demerger, acquisition, or transfer of another company's shares, the company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following</p>	<ol style="list-style-type: none"> <li>1.Amendment to the provision in accordance with Governing the Acquisition and Disposal of Assets by Public Companies Article 25.</li> <li>2. Adjust texts to comply with requirement of regulation.</li> </ol>

After amendment	Before amendment	Cause of amendment
<p>information and retain it for 5 years for reference:</p> <ol style="list-style-type: none"> <li>1. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.</li> <li>2. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.</li> <li>3. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.</li> </ol> <p>When participating in a merger, demerger, acquisition, or transfer of another company's shares, the company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days <u>counting inclusively</u> from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation.</p> <p>Where the company participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company so listed or traded shall sign an agreement with</p>	<p>information and retain it for 5 years for reference:</p> <ol style="list-style-type: none"> <li>1. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.</li> <li>2. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.</li> <li>3. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.</li> </ol> <p>When participating in a merger, demerger, acquisition, or transfer of another company's shares, the company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days <u>commencing immediately</u> from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation.</p> <p>Where the company participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company so listed or traded shall sign an agreement with</p>	

After amendment	Before amendment	Cause of amendment
such company whereby the latter is required to abide by the provisions of the preceding two paragraphs.	such company whereby the latter is required to abide by the provisions of the preceding two paragraphs.	
<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"> <li>1. Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof 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 domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</li> <li>2. Merger, demerger, acquisition, or transfer of shares.</li> <li>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.</li> <li>4. Where the type of asset acquired or disposed is equipment for business use, the trading counterparty is not a related party or right-of-use assets thereof, and the transaction amount meets any of the following</li> </ol>	<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"> <li>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 money market funds issued by domestic securities investment trust enterprises.</li> <li>2. Merger, demerger, acquisition, or transfer of shares.</li> <li>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.</li> <li>4. Where the type of asset acquired or disposed is equipment for business use, the trading counterparty is not a related party, and the transaction amount meets any of the following criteria: <ol style="list-style-type: none"> <li>A. The company paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.</li> <li>B. The company paid-in capital is NT\$10 billion or</li> </ol> </li> </ol>	<ol style="list-style-type: none"> <li>1. Amendment to the provision in accordance with Governing the Acquisition and Disposal of Assets by Public Companies Article 31.</li> <li>2. Specified bonds to domestic government bond and accords to IFRS 16 Lease to include right-of-use assets in this Article.</li> </ol>

After amendment	Before amendment	Cause of amendment
<p>criteria:</p> <p>A. The company paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.</p> <p>B. The company paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.</p> <p>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, <u>and furthermore the transaction counterparty is not a related party</u>, and the amount the company expects to invest in the transaction reaches NT\$500 million.</p> <p>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:</p> <p>A. Trading of government bonds.</p> <p>B. Trading of bonds under repurchase/resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>The amount of transactions above shall be calculated as follows:</p> <ol style="list-style-type: none"> <li>1. The amount of any individual transaction.</li> <li>2. The cumulative transaction amount of acquisitions and disposals of the same type of</li> </ol>	<p>more, the transaction amount reaches NT\$1 billion or more.</p> <p>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.</p> <p>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:</p> <p>A. Trading of government bonds.</p> <p>B. Trading of bonds under repurchase/resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>The amount of transactions above shall be calculated as follows:</p> <ol style="list-style-type: none"> <li>1. The amount of any individual transaction.</li> <li>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.</li> <li>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.</li> </ol>	

After amendment	Before amendment	Cause of amendment
<p>underlying asset with the same trading counterparty within the preceding year.</p> <p>3. The cumulative transaction amount of real property <u>or right-of-use assets thereof</u> acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.</p> <p>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <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>When the company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.</p> <p>The company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney,</p>	<p>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <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>When the company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.</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>	

After amendment	Before amendment	Cause of amendment
<p>and securities underwriter opinions at the company headquarters, where they shall be retained for 5 years except where another act provides otherwise.</p>		
<p>Article 28 Information required to be publicly announced and reported in accordance with the provisions of Chapter III on acquisitions and disposals of assets by Subsidiaries of the company that is not itself a public company in Taiwan shall be reported by the public [parent] company.</p> <p>The paid-in capital or total assets of the public company shall be the standard for determining whether or not a subsidiary referred to in the preceding paragraph is subject to Article 26, paragraph 1 requiring a public announcement and regulatory filing in the event the type of transaction specified therein reaches 20 percent of paid-in capital or 10 percent of the total assets.</p> <p>Subsidiaries of the company shall adopt and implement the procedures for the acquisition or disposal of assets with Governing the Acquisition and Disposal of Assets by Public Companies Regulations.</p>	<p>Article 28 Information required to be publicly announced and reported in accordance with the provisions of Chapter III on acquisitions and disposals of assets by Subsidiaries of the company that is not itself a public company in Taiwan shall be reported by the public [parent] company.</p> <p>The paid-in capital or total assets of the public company shall be the standard for determining whether or not a subsidiary referred to in the preceding paragraph is subject to Article 26, paragraph 1 requiring a public announcement and regulatory filing in the event the type of transaction specified therein reaches 20 percent of paid-in capital or 10 percent of the total assets.</p> <p>Subsidiaries of the company shall adopt and implement the procedures for the acquisition or disposal of assets with Governing the Acquisition and Disposal of Assets by Public Companies Regulations.</p>	<p>1. Amendment to the provision in accordance with Governing the Acquisition and Disposal of Assets by Public Companies Article 34.</p> <p>2. Public announcement and regulatory filing of subsidiaries of the company shall be consistent with parent company.</p>

AR015D

# **Aerospace Industrial Development Corporation**

## **Acquisition and Disposal of Assets Disposal Procedures (Draft)**

### **Chapter I           General Principles**

Article 1           These regulations are adopted in accordance with the provisions of Regulations Governing the Acquisition and Disposal of Assets by Public Companies of the Financial Supervisory Commission (FSC) to safeguard investors' interests, and the implementation of information disclosure.

                    The company shall handle the acquisition or disposal of assets in compliance with these Regulations; provided, where financial laws or regulations provide otherwise, such provisions shall govern.

Article 2           The term "assets" mentioned in these regulations, as established according to the company's business requirements, refers to the following items:

1. Investments in stocks, government bonds, corporate bonds, and beneficial interest securities.
2. Real property (including land, houses and buildings and investment property) and equipment.
3. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
4. Right-of-use assets.
5. Derivatives.
6. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
7. Other major assets.

Article 3           Terms used in these Regulations are defined as follows:

1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
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 therefore (hereinafter "transfer of shares") under Article 156-3 of the Company Act.
3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
5. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
6. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
7. Securities exchange: "Domestic securities exchange" refers to the Taiwan Stock Exchange Corporation; "foreign securities exchange" refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.
8. Over-the-counter venue ("OTC venue", "OTC"): "Domestic OTC venue" refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.

Article 4	<p>Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:</p> <ol style="list-style-type: none"> <li>1. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</li> <li>2. May not be a related party or de facto related party of any party to the transaction.</li> <li>3. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</li> </ol> <p>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</p> <ol style="list-style-type: none"> <li>1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</li> <li>2. When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</li> <li>3. They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</li> <li>4. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.</li> </ol>
<b>Chapter II</b>	<b>Disposition Procedures</b>
Section I	Establishment of Disposition Procedures
Article 5	<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 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>
Article 6	<p>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"> <li>1. Related party transaction: the provisions of ESP-AR-023 Operating Regulations of AIDC Related Party Transaction.</li> <li>2. Derivatives trading: the provisions of ESP-GR-002 Operating Regulations of AIDC Derivatives Trading.</li> <li>3. Fixed and Intangible Assets Disposal: the provisions of SP-GR-023 Operating Regulations of Fixed and Intangible Assets Acquisition, SP-GR-022 Operating Regulations of Fixed and Intangible Assets Disposal.</li> <li>4. Financial dispatch and funding operation: the provisions of SP-GR-001 Operating Regulations of AIDC Financing, SP-GR-020 Operating Regulations of Trading of Financial Products.</li> <li>5. Reinvestment: the provisions of SP-AR-007 Operating Regulations of Reinvestment Assessment</li> <li>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.</li> <li>7. Subsidiary Governance: the provisions of ESP-AR-021 Operating Regulations of AIDC Supervision and Management of Subsidiaries.</li> <li>8. Information declaration: SP-GR-037 Operating Regulations of market observatory post system.</li> </ol>
Article 6-1	<p>The company shall 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</p>

directors, they shall be submitted to each supervisor, and then to a shareholders' meeting for approval; the same applies when the procedures are amended. If any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to each audit committee member.

When the procedures for the acquisition and disposal of assets are submitted for discussion by the board of directors pursuant to the preceding paragraph, 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.

Any transaction involving major assets or derivatives shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution. Article 5 of the Act shall apply.

#### Article 6-2

Total amounts of real property, reinvestment 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:

1. The total amount of reinvestment made on other company as its limited liability shareholder shall not exceed 60 percent of AIDC paid-in capital.
2. Total amounts of stocks, bonds and beneficial interest securities for the purpose of financial dispatch and funding operation shall not exceed NT\$ 600 million, and limits on aforementioned individual securities shall not exceed 50 percent of total amounts.
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.
4. Total amounts of real property and right-of-use assets thereof acquired by the Company and each subsidiary for non-business use shall not exceed 10 percent of each Company's paid-in capital. The securities of subparagraph 2 do not include the acquisition or disposal of government bonds, certificates of deposit, short-term bills, etc.

#### Section II Article 7

##### Acquisition or Disposal of Assets

In acquiring or disposing of real property, equipment, or right-of-use assets thereof 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 domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held 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:

1. Where due to special circumstances it is necessary to give a 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; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.
2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
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:
  - A. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
  - B. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

- Article 8           The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing Company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).
- Article 9           The company acquires or disposes of intangible assets or right-of-use assets thereof 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 9-1         The calculation of the transaction amounts referred to in the preceding three articles shall be done 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 for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.
- Article 10         Where a public Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.
- Section III  
Article 10-1        Related Party Transactions  
When the company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Section and this Section.  
The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 26, paragraph 2 of the Act herein.  
When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.
- Article 11         When the company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof 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 domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following 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.
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 or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 12 、 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 commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.

6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.

7. Restrictive covenants and other important stipulations associated with the transaction.

The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with 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.

With respect to the acquisition or disposal of business-use equipment between the company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, 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.

1. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.

2. Acquisition or disposal of real property right-of-use assets held for business use.

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.

Article 12

The company that acquires real property or right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means:

1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.

2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.

Where land and structures thereupon are combined as a single property purchased or leased in one transaction by the company and related party, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.

The company that acquires real property or right-of-use assets thereof from a related party and appraises the cost of the real property or right-of-use assets thereof in accordance with the preceding two paragraphs shall also engage a CPA to check the appraisal and render a specific opinion.

Article 13

Where the company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Article 11 and the preceding paragraph do not apply:

1. The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.

2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.

3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build houses and buildings, either on the company's own land or on rented land.

4. The real property right-of-use assets for business use are acquired by the public company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.

Article 14

When the results of the company's appraisal conducted in accordance with paragraph 1 and paragraph 2 of the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 15. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained

from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:

1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
  - A. Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
  - B. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.
  - C. Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.

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

Completed transactions involving neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.

#### Article 15

Where the company acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with Article 12, 13, and Article 14 are uniformly lower than the transaction price, the following steps shall be taken:

1. A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Act against the difference between the real property or right-of-use assets transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph of the Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.
2. Such as supervisors, independent director members of the audit committee shall comply with Article 218 of the Company Act.
3. Actions taken pursuant to subparagraph 1 and subparagraph 2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

The company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.

When a public company obtains real property or right-of-use assets thereof from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arms length transaction.

#### Section IV Article 15-1

##### Engaging in Derivatives Trading

The company engaging in derivatives trading shall pay strict attention to control of the following important risk management and auditing matters, and incorporate them into their Procedures:

1. Trading principles and strategies: Shall include the types of derivatives that may be traded, operating or hedging strategies, segregation of duties, essentials of performance evaluation, total

- amount of derivatives contracts that may be traded, and the maximum loss limit on total trading and for individual contracts.
2. Risk management measures.
  3. Internal audit system.
  4. Regular evaluation methods and the handling of irregular circumstances.
- Article 16 The Company engaging in derivatives trading shall adopt the following risk management measures:
1. Risk management shall address credit, market, liquidity, cash flow, operational, and legal risks.
  2. Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.
  3. Risk measurement, monitoring, and control personnel shall be assigned to a different department than the personnel in the preceding subparagraph and shall report to the board of directors or senior management personnel with no responsibility for trading or position decision-making.
  4. Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the board of directors in accordance with the provisions of 『ESP-HR-009 Authorization and Responsibilities for Board of Directors, Chairman and General Manager of AIDC』.
  5. Other important risk management measures.
- Article 17 Where the Company engaging in derivatives trading, its board of directors shall faithfully supervise and manage such trading in accordance with the following principles:
1. Designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk.
  2. Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the Company's permitted scope of tolerance.
- Senior management personnel authorized by the board of directors shall manage derivatives trading in accordance with the following principles:
1. Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with these Regulations and the procedures for engaging in derivatives trading formulated by the Company.
  2. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the board of directors; where a Company has independent directors, an independent director shall be present at the meeting and express an opinion.
- The Company shall report to the soonest meeting of the board of directors after it authorizes the relevant personnel to handle derivatives trading in accordance with its Procedures for Engaging in Derivatives Trading.
- Article 18 The Company engaging in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged in, board of directors approval dates, and the matters required to be carefully evaluated under subparagraph 4 of Article 16 and subparagraph 2 of paragraph 1, and subparagraph 1 of paragraph 2, of Article 17 shall be recorded in detail in the log book.
- The Company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, all audit committee members shall be notified in writing.
- Section V  
Article 19 Mergers and Consolidations, Splits, Acquisitions, and Assignment of Shares
- 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.
- Article 20 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 referred to in paragraph 1 of the preceding Article 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.

Where the shareholders meeting of the Company participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the Company participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.

Article 21

The company and the related companies participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

The company and the related companies participating in a transfer of shares shall call a board of directors meeting on the day of the transaction, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, the company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for 5 years for reference:

1. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
2. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.
3. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, the company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days counting inclusively from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation.

Where the company participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of the preceding two paragraphs.

Article 22

Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any Company related to the plan for merger, demerger, acquisition, or transfer of shares.

Article 23

The Company participating in a merger, demerger, acquisition, or transfer of shares may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:

1. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
2. An action, such as a disposal of major assets, that affects the Company's financial operations.
3. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
4. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another Company, buys back treasury stock.
5. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
6. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

- Article 24 The contract for participation by a public Company in a merger, demerger, acquisition, or of shares shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following:
1. Handling of breach of contract.
  2. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any Company that is extinguished in a merger or that is demerged.
  3. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
  4. The manner of handling changes in the number of participating entities or companies.
  5. Preliminary progress schedule for plan execution, and anticipated completion date.
  6. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.
- Article 25 After public disclosure of the information, if any Company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another Company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating Company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating Company may be exempted from calling another shareholders meeting to resolve on the matter anew.
- Article 25-1 Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public Company, the public Company(s) shall sign an agreement with the non-public Company whereby the latter is required to abide by the provisions of Article 21, Article 22, and Article 25.

### **Chapter III Public Disclosure of Information**

- 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:
1. Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof 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 domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
  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 the type of asset acquired or disposed is equipment for business use, the trading counterparty is not a related party or right-of-use assets thereof, and the transaction amount meets any of the following criteria:
    - A. The company paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.
    - B. The company paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.
  5. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the company expects to invest in the transaction reaches NT\$500 million.
  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:
    - A. Trading of government bonds.
    - B. Trading of bonds under repurchase/resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
 The amount of transactions above shall be calculated as follows:

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 or right-of-use assets thereof 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.

"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.

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.

When the company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.

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.

Article 27

Where any of the following circumstances occurs with respect to a transaction that a public Company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days commencing immediately from the date of occurrence of the event:

1. Change, termination, or rescission of a contract signed in regard to the original transaction.
2. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
3. Change to the originally publicly announced and reported information.

#### Chapter IV

##### Additional Provisions

Article 28

Information required to be publicly announced and reported in accordance with the provisions of Chapter III on acquisitions and disposals of assets by Subsidiaries of the company that is not itself a public company in Taiwan shall be reported by the public [parent] company.

The paid-in capital or total assets of the public company shall be the standard for determining whether or not a subsidiary referred to in the preceding paragraph is subject to Article 26, paragraph 1 requiring a public announcement and regulatory filing in the event the type of transaction specified therein reaches 20 percent of paid-in capital or 10 percent of the total assets.

Subsidiaries of the company shall adopt and implement the procedures for the acquisition or disposal of assets with Governing the Acquisition and Disposal of Assets by Public Companies Regulations.

Article 29

For the calculation of 10 percent of total assets under these Regulations, the total assets stated in the most recent financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.

Article 30

The Company's managers and persons-in-charge shall follow the Procedures in order to prevent the Company from incurring any losses. Should there be any violation of related regulations or the Procedures, subsequent castigation is subject to the related Personnel Articles of the Company.

## Attachment VIII

**The 8<sup>th</sup> Board of Independent Director Candidate**

Title	Name	Current Position	Major Education(Experience)	Shareholdings	Name of institution being represented
Indep. Director	Lien, Li-Jen	Practicing Lawyer	<p><b><u>Education :</u></b>  M.A. in Political Science, National Sun Yat-sen University  Bachelor of Laws, National Chung Hsing University (now National Taipei University)</p> <p><b><u>Experience :</u></b>  Practicing Lawyer  Councilor, Kaohsiung City Council  Agent ad litem, Land Bank of Taiwan, Former Finance Department of Taiwan Provincial Government  Legal Consultant, Kaohsiung City Council and Kaohsiung County Government  Chairman, Kaohsiung Pingtung Branch of Consumers' Foundation  Legal Consultant, Kaohsiung Federation of Labor Unions  Honorary Consultative Attorney for Small and Medium Enterprise Administration, Ministry of Economic Affairs  Manager, JYI-HER Recreation Company, Ltd.</p>	0	-

**Exemption of Restrictions for Director**

Director Name	Other companies and position	Scope of the company's business
Lien, Li-Jen	Manager, JYI-HER Recreation Company, Ltd.	J901020 Hotels and Motels J601010 Arts and Literature Service J602010 Agents and Managers for Performing Arts, Entertainers, and Models J801030 Athletics and Recreational Sports Stadium F102170 Wholesale of Food and Grocery F106020 Wholesale of Articles for Daily Use F109070 Wholesale of Stationery Articles, Musical Instruments and Educational Entertainment Articles F113010 Wholesale of Machinery F401010 International Trade F501060 Restaurants J701080 Waterside Entertainment Activities Business JZ99050 Agency Services I103060 Management Consulting Services ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.