



**Aerospace Industrial Development Corporation**  
**Meeting Minutes**  
**Of**  
**2023 Annual Shareholders' Meeting**  
(Translated from Mandarin)

Date: 30 May 2023

Location: Hsiang Yuan Resort  
No. 176, Lane 20, Zhongzhen Road, Shalu District,  
Taichung City, Taiwan

Meeting Type: Hybrid Shareholders' Meeting  
(Physical Shareholders' Meeting Supported By Visual Conference)

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

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

## **2023 Annual Shareholders' Meeting Agenda**

Meeting Type: Hybrid Shareholders' Meeting  
(Physical Shareholders' Meeting Supported By Visual Conference)

Time: 10:00 a.m., 30 May 2023 (Tuesday)

Location: Hsiang Yuan Resort  
No.176, Lane 20, Zhongzhen Road, Shalu District, Taichung  
City, Taiwan

Virtual Meeting Platform: Taiwan Depository & Clearing Corporation  
<https://www.stockvote.com.tw/evote/index.html>

- I. Meeting Commencement Announcement
- II. Chairman's Address
- III. Reports
  - (1) Business Report of 2022
  - (2) Audit Committee Review Report of 2022
  - (3) 2022 Compensation to Employees and Directors
- IV. Ratifications
  - (1) Ratification of the 2022 Business Report and Financial Statements
  - (2) Ratification of the Proposal for Earnings Distribution of 2022 Profits
- V. Discussion
  - (1) Amendments to Company's Rules and Procedures of Shareholders' Meetings
  - (2) Amendments to Company's Acquisition and Disposal Procedures for Assets
- VI. Extempore Motions
- VII. Meeting Adjournment

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

## **2022 Annual Shareholders' Meeting Minutes**

Meeting Type: Hybrid Shareholders' Meeting  
(Physical Shareholders' Meeting Supported By Visual Conference)

Time: 10:00 a.m., 30 May 2023 (Tuesday)

Location: Hsiang Yuan Resort  
No.176, Lane 20, Zhongzhen Road, Shalu District, Taichung  
City, Taiwan

Virtual Meeting Platform: Taiwan Depository & Clearing Corporation  
<https://www.stockvote.com.tw/evote/index.html>

Total outstanding AIDC shares: 941,867,101 shares

Total shares represented by the shareholders who were present in person or by proxy: 555,153,027 shares (including 543,253,951 shares casted electronically, 121,684 shares casted through the virtual meeting platform.)

Percentage of outstanding shares held by shareholders who were present in person or represented by proxy: 58.94%, by which a quorum was present.

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

Directors Present: Wan-June Ma; Ming-Pin Chang; Mu-Lai Hsiao; Ming-Li Lee;  
Chia-Chang Chan (Convener of Remuneration Committee);  
Yin-Chin Chen (Convener of Audit Committee);  
Li-Jen Lien (Convener of Cybersecurity Committee).  
The number of directors attending exceeded 1/2 of the total seats  
of the Board which is 11 seats.

Additional Attendee: Lie-Dong Wu (Accountant)

### **I. Meeting Commencement Announcement**

(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: Business Report of 2022, as shown in Attachment I (Pages 7-10).

No questions raised by the shareholders.  
Acknowledged.

Item 2:            Audit Committee Review Report of 2022, as shown in Attachment II (Page 11).

No questions raised by the shareholders.  
Acknowledged.

Item 3:            Report on 2022 Compensation to Employees and Directors, as shown in Attachment III (Page 12).

No questions raised by the shareholders.  
Acknowledged.

#### **IV. Ratifications**

Item 1:            Ratification of the 2022 Business Report and Financial Statements (Proposed by the Board of Directors)

Description:    I.    AIDC's 2022 Financial Statements (including Balance Sheets, Statements of Comprehensive Income, Statements of Changes in Equity, and Statements of Cash Flows) had been reviewed and audited by Ms. Lie-Dong Wu and Mr. Ting-Chien Su, CPAs of Deloitte & Touche.

                      II.    Business Report of 2022, Auditors' Report, and aforementioned financial statements are shown in Attachments I and IV (Pages 7-10 and Pages 13-31).

Question from the shareholder (Account #128255) :

Questioning about the exchange gains and losses in 2022 and its disclosure in the Annual Report.

Designated respondent, VP Serena Huang :

The result of exchange benefit of 2022 is positive. However, the text in the Annual Report concerning the influence of the exchange rates says otherwise, which is a typo. The Company thanked the shareholder for raising the question and giving AIDC the opportunity to correct the text mistake in the meeting.

Resolved, that the above proposal was accepted as proposed.

Voting Results:

Item	Electronical vote	Video vote	In-person vote	Total (shares)	%
Approval	483,238,396	119,610	692,807	484,050,813	88.96%
Disapproval	92,858	0	0	92,858	0.01%
Invalid	0	0	0	0	0.00%
Abstention / No votes	59,922,697	2,074	0	59,924,771	11.01%
Total represented	543,253,951	121,684	692,807	544,068,442	100%

Item 2: Ratification of the Proposal for Earnings Distribution of 2022 Profits (Proposed by the Board of Directors)

Description: I. The company's net profit after taxes for 2022 was \$1,627,332,849 NT dollars. Based on Article 28-1 "Reserve Allocation" of the Company's Articles of Incorporation, the Company plans to distribute a cash dividend of \$1.08 NT dollars per share. The current distributable surplus is \$1,017,216,469 NT dollars, as shown in Attachment V (Page 32).

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

No questions raised by the shareholders.

Resolved, that the above proposal was accepted as proposed.

Voting Results:

Item	Electronical vote	Video vote	In-person vote	Total (shares)	%
Approval	483,153,496	119,610	692,807	483,965,913	88.95%
Disapproval	100,595	0	0	100,595	0.01%
Invalid	0	0	0	0	0.00%
Abstention / No votes	59,999,860	2,074	0	60,001,934	11.02%
Total represented	543,253,951	121,684	692,807	544,068,442	100%

## V. Discussions

Proposal 1: Amendments to Company's Rules and Procedures of Shareholders' Meetings. (Proposed by the Board of Directors)

Description: I. Pursuant to the amendments to Company's Articles of Incorporation and Regulations Governing the Administration of Shareholder Services of Public Companies, the Company's Rules and Procedures of Shareholders' Meetings is amended accordingly.

II. The comparisons between the original and the amended provisions are shown in Attachment VI (Pages 33-44).

No questions raised by the shareholders.

Resolved, that the above proposal was approved as proposed.

Voting Results:

Item	Electronical vote	Video vote	In-person vote	Total (shares)	%
Approval	481,341,449	119,610	692,807	482,153,866	88.62%
Disapproval	416,828	0	0	416,828	0.07%
Invalid	0	0	0	0	0.00%
Abstention / No votes	61,495,674	2,074	0	61,497,748	11.30%
Total represented	543,253,951	121,684	692,807	544,068,442	100%

Proposal 2: Amendments to 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 January 28, 2022, 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 (Pages 45-65).

No questions raised by the shareholders.

Resolved, that the above proposal was approved as proposed.

Voting Results:

Item	Electronical vote	Video vote	In-person vote	Total (shares)	%
Approval	481,418,933	119,610	692,807	482,231,350	88.63%
Disapproval	117,904	0	0	117,904	0.02%
Invalid	0	0	0	0	0.00%
Abstention / No votes	61,717,114	2,074	0	61,719,188	11.34%
Total represented	543,253,951	121,684	692,807	544,068,442	100%

## VI. Extempore Motions

Question raised by the shareholder (Account #99254) :

Asked about how the Company sees the UAV market. And is the Company capable of developing such market, or even considering alliance with Boeing or Lockheed Martin.

Designated respondent, President Ma :

The Company's UAV strategy focuses on teaming with domestic UAV suppliers for strategic alliance and cooperation in mass production.

Additional response from the Chairman :

The Company has successfully acquired technical certificates from Lockheed Martin. There are also cooperative agreements signed with major global industrial players such as GE Power. AIDC will continue its comprehensive cooperation with the leading international military and commercial companies.

Question raised by the shareholder (Account #93469) :

Asked about domestic carbon fees that will be collected next year, which will initially be imposed on electric power and manufacturing companies with annual carbon emission exceeding 25000 tons. While AIDC disclosed an annual emission of 81000 tons in 2021, the number will only increase in the future. How the Company will balance between business growth and decarbonization effort?

Designated respondent, President Ma :

The Company has laid out the near term, mid-term, and long term goals for decarbonization. AIDC's emission mostly comes from the manufacturing process. Other supportive measures such as green energy application and energy saving mechanism are also part of our effort to cope with decarb.

Additional response from the Chairman :

Pursuant to the Nation's Carbon Neutral by 2050 policy, the Company is closely following the development of the EU regulations concerning the carbon tax, in which we will strive for decarb business opportunities and also voice out the assistance needed by the industry to the Government.

Question raised by the shareholder (Account #128255) :

Asked about the Company's plan to fill up the revenue gap after the completion of the F-16 upgrade program. And asked about the business shares between military and civil businesses, as well as that of the Boeing and Airbus programs in the civil sector.

Designated respondents, President Ma and VP Serena Huang :

Provided details in the military vs. civil proportion of revenue performances before and after the pandemic. Described current progress of the military and commercial programs.

(Proceeding of the meeting was interrupted at 10:43 due to technical glitches. It was soon recovered at 10:49 and the meeting resumed.)

## **VII. Meeting Adjournment ( 11:02 a.m., 30 May 2023)**

The Chairman announced the meeting adjourned.

This meeting minutes is a summary of the Shareholders' Meeting. The video/audio recording shall prevail as to the actual proceeding.



## **Aerospace Industrial Development Corporation Business Report of 2022**

We are grateful for your support and concern for AIDC. As countries lift border controls and life returns to normal, the global aviation industry is gradually recovering, and our three response measures "increase profits, cut costs, and deep squat" supported with "accountable, lean" efforts have proven to be effective. Furthermore, we set the tone of "no layoffs, no pay cuts, and no unpaid leave," which has driven all employees to expand our military businesses and technology services, in order to compensate for our civilian businesses. This has allowed the Company to remain profitable during the pandemic with a positive EPS, and we gradually bounced back to set a record high revenue in 2022.

As the pandemic subsided and Boeing 737 Max resumed flights, life has gradually returned to normal and the aviation industry is recovering. Based on estimates of the two major commercial aircraft manufacturers Boeing and Airbus, the demand on new commercial aircrafts is approximately 40,000 aircrafts over the next 20 years, average annual growth rate of air passenger traffic is approximately 4%, and global air transportation is expected to return pre-pandemic levels in 2023-2025. Honeywell expects to deliver 8,500 aircrafts in 2023-2032. As for aircraft engines, Forecast International estimates that approximately 155,000 aircraft engines will be delivered in 2023-2031. The civil aviation market has a bright future and AIDC's businesses will benefit. In addition to stable purchase orders, AIDC has expanded manufacturing and also planned the development of system parts for new commercial aircrafts and engines. We are optimistic about the future and will continue to develop large engine cases and overall engine repair services.

In terms of military businesses, after the mass production of the Brave Eagle advanced jet trainer commenced and the first Brave Eagle was delivered on November 29, 2021, the mass production delivery phase began in 2022 and deliveries will peak in 2023. A total of 66 Brave Eagles will be delivered to the Air Force before 2026, and logistics, repair, and maintenance has begun in 2022. We have high expectations for long-term business opportunities. The delivery of 100 fighter jets was completed under the F-16A/B Upgrade Program, which is expected to be concluded in 2023, and the technologies and capabilities accumulated will serve as the foundation for repair and other needs. After the F-16 Maintenance & Support Center was established on August 28, 2020, the government, private sector, and Lockheed Martin worked together to establish local repair capabilities for items with high unit price, high failure rate, and long delivery period. The "F-16 Maintenance & Support Center Presentation" was held on November 1, 2022 and personally attended by the president. A total of 11 companies received an airworthiness certificate from the Air Force. Over a hundred parts can now be locally repaired, showing that the establishment of local capabilities is complete and has achieved excellent results.

As for technology services, AIDC supports government policy and utilizes its technologies to extend operations to other scopes of business, in hopes of seizing carbon reduction and green business opportunities. AIDC began using a 5MW energy storage system in the Taichung Complex in 2021, and also joined the Automatic Frequency Control (AFC) ancillary services of Taiwan Power Company (TPC) with excellent results. AIDC has begun the installation of a second and third energy storage system in the Sha-Lu Complex. Furthermore, AIDC is working with GE in the installation of gas turbine generators, including the Tongxiao Power Plant of TPC, Yongan Plant of CPC Corporation, and Wuqi Plant of CPC Corporation. AIDC will be able to help even more domestic enterprises replace coal generators with gas generators, and the experience and technologies accumulated will be utilized to build local repair capabilities for the type of generator in Taiwan.

We are grateful to our shareholders for supporting the projects of AIDC, and will report our business performance in 2022 and business plan for 2023 below.

### Revenue and profitability

With the mass production of advanced jet trainers, increase in deliveries of our civilian business as the pandemic subsided, and technology services immediately making an impact in 2022, our revenue, operating profits, and EPS all significantly increased compared with the previous year.

AIDC's 2022 consolidated operating revenue was NT\$30.24 billion, up 27.4% compared with the NT\$23.73 billion in the previous year; gross profit was NT\$2.91 billion, up 64.3% compared with the NT\$1.77 billion in the previous year; operating profit was NT\$1.51 billion, up 206.7% compared with the NT\$491.34 million in the previous year; combined with non-operating income from exchange gains, net profit after tax was NT\$1.62 billion, up 191.6% compared with the NT\$558.01 million in the previous year; earnings per share(EPS) was NT\$1.73.

### Research and Development

In coordination with the Company's business strategies and business plans, a total of 45 R&D projects were implemented in 2022, and R&D expenses was approximately NT\$590 million, which was invested in key technologies for upgrading new basic jet trainers and advanced jet trainers, new product development, management technologies, repair technologies, and manufacturing technologies. The projects expand the Company's key technologies and capabilities, and increase opportunities for developing military and civilian businesses.

### Awards

#### Implementing corporate governance:

- \* The "AMS-02 Project Cooling System" won the Industry Contribution Award in January 2022
- \* Quality assurance personnel received a certificate of excellence from Lockheed Martin in January 2022
- \* Ranked in the top 6-20% of TWSE-listed companies in the 2021 (8th) Corporate Governance Evaluation in April 2022
- \* Selected by Taiwan Index Plus Corporation as a constituent stock of Taiwan Employment Creation 99 Index in July 2022
- \* Received the Diamond Supplier Award from Canadian company Bombardier Inc. for the third consecutive year in October 2022
- \* AIDC was recognized by the National Police Agency, Ministry of the Interior for excellent performance in maintaining confidentiality, security, and safety promotion in the 2022 "Pengcheng No. 36 Work" Evaluation in December 2022
- \* Received the corporate version gold medal in the "Talent Quality-management System (TTQS)" of the Workforce Development Agency, Ministry of Labor in December 2022

#### Developing a sustainable environment:

- \* Received the Bronze Award in the 4th National Enterprises Environmental Protection Award from the Environmental Protection Administration, Executive Yuan in November 2022
- \* Received the Silver Award in the 2022 Energy Saving Benchmark Award of the Bureau of Energy, Ministry of Economic Affairs in December 2022
- \* Received the Top 100 Sustainable Companies Award, Gold Award in the Corporate Sustainability Report Awards, Information Security Leadership Award, and Transparency and Integrity Leadership Award in the "2022 TCSA Taiwan Corporate Sustainability Awards" in November 2022

**Maintaining employee relations and care for society:**

- \* Recognized by the Veterans Affairs Council in October 2022 for excellent performance in hiring veterans
- \* Received the Exercise Enterprise Certification from the Sports Administration, Ministry of Education in November 2022
- \* Kang-Shan Complex received the Happy Enterprise Award from Kaohsiung City Government in November 2022

**Business Plan for FY 2023**

As the global aviation industry continues to recover, the Company insisted on "no layoffs, no pay cuts, and no unpaid leave" during the pandemic, so that personnel and machinery can maintain optimal production capacity. In contrast with the labor shortage, material shortage, and broken supply chains in other countries, the Company has been more equipped to seize business opportunities after the pandemic.

**Business Development direction**

- \* Military businesses: Complete ongoing projects according to schedule while meeting quality requirements, including the manufacturing of advanced jet trainer, commercial maintenance of IDF, Cobra, and Black Hawk helicopters, scientific research projects of the National Chung-Shan Institute of Science and Technology, and the manufacturing of equipment and missile parts and components. Pursue business opportunities from newly purchased F-16V fighters, as well as maintenance and service life extension for F16 fighters. Accelerate the upgrade of the IDF's electronic warfare system and smooth production of new basic jet trainers. Pursue the outsourcing business of different fleets and industrial cooperation in the Air Force's MQ-9 drone. Work with domestic drone corporations and industries in coordination with government policy, and establish a drone mass production center to meet the drone needs of the R.O.C. Armed Forces.
- \* Civil aviation businesses: Secure existing orders, pursue a higher percentage of manufacturing, actively form strategic alliances, and jointly take on orders. Develop new generation composite material manufacturing technologies, such as thermoforming, resin molding, and co-molding, to pursue next generation passenger aircraft development projects. Establish specialized manufacturing centers, such as precision casting, to meet customer needs on one-stop services. Enter the field of civil aircraft engine maintenance and expand to related businesses.
- \* Technology services: Target the domestic gas turbine generator market and increase market share in the nation's energy transition stage. Use the experience of building 3 energy storage demonstration sites to build system planning, design, integration, implementation, operation, and maintenance capabilities, in order to obtain energy storage turnkey and system integration projects in the industry. Also engage in energy management system R&D to develop independent core capabilities in engineering.

**Business administration policy**

AIDC uses the balanced scorecard (BSC) for management under the core philosophy of corporate sustainability, and connects the Company's vision, strategies, goals, key tasks of each department, and action plans. We continue to improve management work and take measures under the strategic goals "group development," "participate in jointly R&D in specialized fields to ensure mass production purchase orders are obtained," "enhance technical capabilities for design/manufacturing/assembly," "implement global strategic outsourcing," "improve management performance," "activate human resources,"

"implement ESG in response to carbon reduction to develop into a resilient enterprise." These measures aim to ensure that 2023 business goals are achieved.

In light of the global trend of net zero emissions, Taiwan announced the goal to achieve net zero emissions by 2050, and passed the third reading of the "Greenhouse Gas Reduction and Management Act." As the leader of the domestic aviation industry, it is AIDC's responsibility to actively face and plan the pathway to carbon neutrality by 2050, as well as goals for each stage. We hope to create a win-win situation through the implementation of ESG, and hope to jointly create a prosperous and sustainable future together with our shareholders.

AIDC will enter a stage of even faster growth in 2023, and we are grateful to shareholders for their trust, encouragement, and advice. We look forward to shareholders providing even more support and care, and express our most sincere gratitude and blessings

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

Date: March 27, 2023

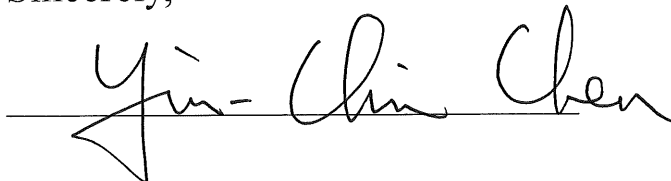
To: Aerospace Industrial Development Corporation  
2023 Annual Shareholders' Meeting

Subject: Audit Committee Review Report

Dear Valued Shareholders,

The Board of Directors has prepared the Company's 2022 Business Report, Financial Statements, and proposal for allocation of profits. The CPA firm of Deloitte & Touche Tohmatsu was retained to audit AIDC's Financial Statements and has issued an audit report relating to Financial Statements. The Business Report, Financial Statements, and proposal for allocation of profits have been reviewed and determined to be correct and accurate by the Audit Committee of Aerospace Industrial Development Corporation. According to Article 219 of the Company Law and Article 14-4 of the Securities and Exchange Act, I hereby submit this report.

Sincerely,

A handwritten signature in black ink, reading "Yin-Chin Chen", is written over a horizontal line.

Chen, Yin-Chin  
Chairman of the Audit Committee

**Aerospace Industrial Development Corporation**  
**2022 Compensation to Employees and Directors**

The Board of Directors has approved the proposal of the 2022 Employees' Compensation and Remuneration to Directors in the board meeting of March 27, 2023.

1. Employees' compensation and the directors' remuneration are totaled respectively at NT\$91,987,719 and NT\$11,473,737 in cash.
2. The amounts, cited above as expenses of the 2022 net profit before income tax, are the same as the amounts proposed by the Board of Directors.



**勤業眾信**

勤業眾信聯合會計師事務所  
11073 台北市信義區松仁路100號20樓

Deloitte & Touche  
20F, Taipei Nan Shan Plaza  
No. 100, Songren Rd.,  
Xinyi Dist., Taipei 11073, Taiwan

Tel :+886 (2) 2725-9988  
Fax:+886 (2) 4051-6888  
www.deloitte.com.tw

## **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, 2022 and 2021, 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, 2022 and 2021, 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 the Standards on Auditing of 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, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the Group's consolidated financial statements for the year ended December 31, 2022 is stated as follows:

Impairment loss of inventory

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

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

**Other Matter**

We have also audited the parent company only financial statements of Aerospace Industrial Development Corporation as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion.

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

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

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

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



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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of 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 Standards on Auditing of 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, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Lie-Dong Wu and Ting-Chien Su.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 27, 2023

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 DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	December 31			
	2022		2021	
	Amount	%	Amount	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 3,313,477	8	\$ 3,312,656	8
Contract assets - current (Notes 4 and 23)	1,520,979	3	530,666	1
Notes receivable (Notes 4 and 8)	3,651	-	16,203	-
Trade receivables from unrelated parties (Notes 4 and 8)	8,203,654	19	8,398,245	21
Trade receivables from related parties (Notes 4 and 29)	337,603	1	138,244	-
Other receivables (Note 4)	37,806	-	3,417	-
Current tax assets (Note 4)	-	-	4,941	-
Inventories (Notes 4, 5 and 9)	13,519,031	32	11,955,772	30
Other financial assets - current (Notes 4, 15 and 30)	17,225	-	15,382	-
Other current assets (Notes 4, 16, and 29)	<u>1,952,057</u>	<u>5</u>	<u>2,409,895</u>	<u>6</u>
Total current assets	<u>28,905,483</u>	<u>68</u>	<u>26,785,421</u>	<u>66</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 7)	43,373	-	46,883	-
Investments accounted for using the equity method (Notes 4 and 11)	1,440,617	3	1,134,885	3
Property, plant and equipment (Notes 4, 12, 24 and 30)	8,834,090	21	9,413,000	23
Right-of-use assets (Notes 4 and 13)	1,596,860	4	1,703,931	4
Intangible assets (Notes 4 and 14)	871,773	2	906,575	2
Deferred tax assets (Notes 4 and 25)	276,847	1	307,626	1
Prepayments for equipment (Note 24)	460,068	1	278,858	1
Net defined benefit assets - non-current (Notes 4 and 21)	159,757	-	38,732	-
Other financial assets - non-current (Notes 4, 15 and 30)	41,844	-	41,753	-
Other non-current assets (Notes 4, 8 and 16)	<u>77,847</u>	<u>-</u>	<u>90,228</u>	<u>-</u>
Total non-current assets	<u>13,803,076</u>	<u>32</u>	<u>13,962,471</u>	<u>34</u>
<b>TOTAL</b>	<u>\$ 42,708,559</u>	<u>100</u>	<u>\$ 40,747,892</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 17)	\$ 1,500,000	4	\$ 1,200,000	3
Short-term bills payable (Note 17)	6,387,890	15	8,636,928	21
Contract liabilities (Notes 4 and 23)	2,155,899	5	1,516,535	4
Trade payables to unrelated parties	1,670,230	4	1,987,802	5
Trade payables to related parties (Note 29)	24,530	-	110,937	-
Other payables (Notes 19 and 29)	3,805,819	9	2,642,297	7
Current tax liabilities (Notes 4 and 25)	313,821	1	68,360	-
Lease liabilities - current (Notes 4 and 13)	105,125	-	102,769	-
Other current liabilities	<u>68,367</u>	<u>-</u>	<u>39,964</u>	<u>-</u>
Total current liabilities	<u>16,031,681</u>	<u>38</u>	<u>16,305,592</u>	<u>40</u>
<b>NON-CURRENT LIABILITIES</b>				
Bonds payable (Note 18)	6,445,214	15	6,443,779	16
Long-term borrowings (Note 17)	1,800,000	4	1,180,000	3
Provisions - non-current (Notes 4 and 20)	530,420	1	414,658	1
Non-current tax liabilities (Notes 4 and 25)	-	-	30,700	-
Deferred tax liabilities (Notes 4 and 25)	294,502	1	204,887	1
Lease liabilities - non-current (Notes 4 and 13)	1,540,915	4	1,640,924	4
Long-term deferred revenue (Note 4)	8,260	-	8,564	-
Guarantee deposits	<u>224,662</u>	<u>-</u>	<u>194,101</u>	<u>-</u>
Total non-current liabilities	<u>10,843,973</u>	<u>25</u>	<u>10,117,613</u>	<u>25</u>
Total liabilities	<u>26,875,654</u>	<u>63</u>	<u>26,423,205</u>	<u>65</u>
<b>EQUITY</b>				
Ordinary shares	9,418,671	22	9,418,671	23
Capital surplus	4,981	-	-	-
Retained earnings				
Legal reserve	1,201,854	3	1,143,477	3
Special reserve	2,055,275	5	2,020,291	5
Unappropriated earnings	3,197,207	7	1,896,068	4
Other equity	<u>(45,083)</u>	<u>-</u>	<u>(153,820)</u>	<u>-</u>
Total equity	<u>15,832,905</u>	<u>37</u>	<u>14,324,687</u>	<u>35</u>
<b>TOTAL</b>	<u>\$ 42,708,559</u>	<u>100</u>	<u>\$ 40,747,892</u>	<u>100</u>

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

# AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
SALES (Notes 4, 23 and 29)	\$ 30,242,307	100	\$ 23,734,566	100
COST OF GOODS SOLD (Notes 9, 24 and 29)	<u>27,331,310</u>	<u>90</u>	<u>21,963,093</u>	<u>93</u>
GROSS PROFIT	<u>2,910,997</u>	<u>10</u>	<u>1,771,473</u>	<u>7</u>
OPERATING EXPENSES (Notes 24 and 29)				
Selling and marketing expenses	144,740	1	160,989	1
General and administrative expenses	665,399	2	575,681	2
Research and development expenses	591,208	2	544,242	2
Expected credit loss (gain) (Notes 4 and 8)	<u>2,662</u>	<u>-</u>	<u>(780)</u>	<u>-</u>
Total operating expenses	<u>1,404,009</u>	<u>5</u>	<u>1,280,132</u>	<u>5</u>
PROFIT FROM OPERATIONS	<u>1,506,988</u>	<u>5</u>	<u>491,341</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4 and 24)	160,737	1	601,754	3
Other gains and losses (Notes 4 and 24)	292,133	1	(534,462)	(2)
Share of profit of associates (Note 4)	223,577	1	246,315	1
Interest income	15,028	-	2,991	-
Finance costs (Notes 4 and 24)	<u>(163,496)</u>	<u>(1)</u>	<u>(133,243)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>527,979</u>	<u>2</u>	<u>183,355</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	2,034,967	7	674,696	3
INCOME TAX EXPENSE (Notes 4 and 25)	<u>407,634</u>	<u>2</u>	<u>116,683</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>1,627,333</u>	<u>5</u>	<u>558,013</u>	<u>2</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	96,820	-	25,759	-
Unrealized loss on investments in equity instruments designated as at fair value through other comprehensive income	<u>(3,510)</u>	<u>-</u>	<u>(3,045)</u>	<u>-</u>

(Continued)

# AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	\$ 112,247	1	\$ (31,939)	-
Other comprehensive income (loss) for the year, net of income tax	205,557	1	(9,225)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 1,832,890	6	\$ 548,788	2
EARNINGS PER SHARE (Note 26)				
Basic	\$ 1.73		\$ 0.59	
Diluted	\$ 1.72		\$ 0.59	

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

(Concluded)

# AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company					Other Equity (Note 4)		Total Equity
	Common Stock (Note 22)	Capital Surplus (Notes 4 and 11)	Retained Earnings (Note 22)			Exchange Differences on Translation of the Financial Statement of Foreign Operations	Unrealized gain(loss) on Investments in Equity Instruments Designated as at Fair Value Through Other Comprehensive Income	
			Legal Reserve	Special Reserve	Unappropriated Earnings			
BALANCE AT JANUARY 1, 2021	\$ 9,418,671	\$ -	\$ 1,098,424	\$ 1,931,264	\$ 1,634,749	\$ (89,564)	\$ (29,272)	\$ 13,964,272
Appropriation of 2020 earnings								
Legal reserve	-	-	45,053	-	(45,053)	-	-	-
Special reserve	-	-	-	89,027	(89,027)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(188,373)	-	-	(188,373)
Profit for the year ended December 31, 2021	-	-	-	-	558,013	-	-	558,013
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	25,759	(31,939)	(3,045)	(9,225)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	583,772	(31,939)	(3,045)	548,788
BALANCE AT DECEMBER 31, 2021	9,418,671	-	1,143,477	2,020,291	1,896,068	(121,503)	(32,317)	14,324,687
Appropriation of 2021 earnings								
Legal reserve	-	-	58,377	-	(58,377)	-	-	-
Special reserve	-	-	-	34,984	(34,984)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(329,653)	-	-	(329,653)
Changes in capital surplus from investments in associates accounted for using the equity method	-	4,981	-	-	-	-	-	4,981
Profit for the year ended December 31, 2022	-	-	-	-	1,627,333	-	-	1,627,333
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	96,820	112,247	(3,510)	205,557
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	1,724,153	112,247	(3,510)	1,832,890
BALANCE AT DECEMBER 31, 2022	\$ 9,418,671	\$ 4,981	\$ 1,201,854	\$ 2,055,275	\$ 3,197,207	\$ (9,256)	\$ (35,827)	\$ 15,832,905

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

# AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 2,034,967	\$ 674,696
Adjustments for:		
Depreciation expense	1,235,692	1,225,158
Amortization expense	178,430	218,956
Expected credit loss (gain)	2,662	(780)
Finance costs	163,496	133,243
Interest income	(15,028)	(2,991)
Dividend income	(131)	(123)
Share of profit of associates	(223,577)	(246,315)
Loss (gain) on disposal of property, plant and equipment	102	(616)
Impairment loss recognized on non-financial assets	193,983	400,004
Unrealized net loss on foreign currency exchange	9,620	8,936
Recognition of provisions	146,756	7,222
Other income from liabilities	(3,376)	(13,612)
Benefits from lease modification	(24,035)	(24,025)
Net changes in operating assets and liabilities		
Contract assets	(990,313)	423,424
Notes receivable	12,552	32,358
Trade receivables	(17,858)	314,868
Other receivables	(34,388)	6,429
Inventories	(1,749,234)	11,012
Other current assets	457,838	661,257
Contract liabilities	639,364	35,799
Trade payables	(400,491)	767,171
Other payables	1,013,873	139,079
Other current liabilities	30,195	(47,576)
Deferred income	(304)	4,708
Cash generated from operations	2,660,795	4,728,282
Interest received	15,027	4,800
Interest paid	(144,234)	(111,383)
Income tax paid	(119,804)	(102,288)
Net cash generated from operating activities	<u>2,411,784</u>	<u>4,519,411</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment	(308,342)	(1,038,670)
Proceeds from disposal of property, plant and equipment	2	680
Increase in refundable deposits	(38,719)	(38,589)
Decrease in refundable deposits	46,183	45,226
Payments for intangible assets	(154,931)	(150,545)
Decrease (increase) in other financial assets	(190)	23,770
		(Continued)

# AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Increase in other non-current assets	\$ (10,147)	\$ (10,287)
Increase in prepayments for equipment	(283,001)	(208,614)
Dividends received	<u>57,429</u>	<u>57,947</u>
Net cash used in investing activities	<u>(691,716)</u>	<u>(1,319,082)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	24,050,000	21,125,000
Repayments of short-term borrowings	(23,750,000)	(23,635,000)
Proceeds from short-term bills payable	28,293,541	67,310,050
Repayments of short-term bills payable	(30,542,579)	(70,369,409)
Proceeds from bonds payable	-	3,445,585
Proceeds from long-term borrowings	36,587,000	25,203,000
Repayments of long-term borrowings	(35,967,000)	(27,283,000)
Proceeds of guarantee deposits	125,219	118,735
Refund of guarantee deposits	(94,658)	(104,343)
Repayment of the principal portion of lease liabilities	(96,049)	(96,018)
Dividends paid to owners of the Company	<u>(329,653)</u>	<u>(188,373)</u>
Net cash used in financing activities	<u>(1,724,179)</u>	<u>(4,473,773)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>	<u>4,932</u>	<u>(1,465)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	821	(1,274,909)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>3,312,656</u>	<u>4,587,565</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 3,313,477</u>	<u>\$ 3,312,656</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, 2022 and 2021, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, 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 the Standards on Auditing of 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, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the Company's financial statements for the year ended December 31, 2022 is stated as follows:

#### Impairment loss of inventory

The Company assesses the impairment of inventory by identifying raw materials individually. The Company's assessment of impairment loss of raw materials was based on current market conditions and future consumption in accordance with IAS 2. Refer to Notes 5 and 9 to the financial statements. The assessment of impairment loss of raw materials involves management's critical judgment; therefore, we considered the impairment of inventory

as a key audit matter. Our key audit procedures performed in regard to the impairment assessment included the following:

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of 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 Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Lie-Dong Wu and Ting-Chien Su.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 27, 2023

Notice to Readers

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

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

# AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

## BALANCE SHEETS

DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

	December 31			
	2022		2021	
ASSETS	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 3,265,951	8	\$ 3,251,313	8
Contract assets - current (Notes 4 and 22)	1,520,979	3	530,666	1
Notes receivable (Notes 4 and 8)	3,651	-	16,203	-
Trade receivables from unrelated parties (Notes 4 and 8)	8,203,654	19	8,398,245	21
Trade receivables from related parties (Notes 4 and 28)	335,168	1	134,375	-
Other receivables (Note 4)	37,806	-	3,417	-
Current tax assets (Note 4)	-	-	4,941	-
Inventories (Notes 4, 5 and 9)	13,519,031	32	11,955,772	30
Other financial assets - current (Notes 4, 14 and 29)	17,225	-	15,382	-
Other current assets (Notes 4, 15 and 28)	<u>1,951,428</u>	<u>5</u>	<u>2,409,447</u>	<u>6</u>
Total current assets	<u>28,854,893</u>	<u>68</u>	<u>26,719,761</u>	<u>66</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 7)	43,373	-	46,883	-
Investments accounted for using the equity method (Notes 4 and 10)	1,519,686	3	1,186,243	3
Property, plant and equipment (Notes 4, 11, 23 and 29)	8,804,629	21	9,412,918	23
Right-of-use assets (Notes 4 and 12)	1,594,928	4	1,700,935	4
Intangible assets (Notes 4 and 13)	871,773	2	906,544	2
Deferred tax assets (Notes 4 and 24)	276,798	1	307,526	1
Prepayments for equipment (Note 23)	460,068	1	278,858	1
Net defined benefit assets - non-current (Notes 4 and 20)	159,757	-	38,732	-
Other financial assets - non-current (Notes 4, 14 and 29)	41,844	-	41,753	-
Other non-current assets (Notes 4, 8 and 15)	<u>77,760</u>	<u>-</u>	<u>90,088</u>	<u>-</u>
Total non-current assets	<u>13,850,616</u>	<u>32</u>	<u>14,010,480</u>	<u>34</u>
<b>TOTAL</b>	<u>\$ 42,705,509</u>	<u>100</u>	<u>\$ 40,730,241</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 16)	\$ 1,500,000	4	\$ 1,200,000	3
Short-term bills payable (Note 16)	6,387,890	15	8,636,928	21
Contract liabilities (Notes 4 and 22)	2,155,899	5	1,516,535	4
Trade payables to unrelated parties	1,667,442	4	1,985,897	5
Trade payables to related parties (Note 28)	24,972	-	111,286	-
Other payables (Notes 18 and 28)	3,809,485	9	2,636,110	7
Current tax liabilities (Notes 4 and 24)	311,257	1	61,401	-
Lease liabilities - current (Notes 4 and 12)	104,137	-	101,012	-
Other current liabilities	<u>68,356</u>	<u>-</u>	<u>39,953</u>	<u>-</u>
Total current liabilities	<u>16,029,438</u>	<u>38</u>	<u>16,289,122</u>	<u>40</u>
<b>NON-CURRENT LIABILITIES</b>				
Bonds payable (Note 17)	6,445,214	15	6,443,779	16
Long-term borrowings (Note 16)	1,800,000	4	1,180,000	3
Provisions - non-current (Notes 4 and 19)	530,420	1	414,658	1
Non-current tax liabilities (Notes 4 and 24)	-	-	30,700	-
Deferred tax liabilities (Notes 4 and 24)	294,502	1	204,887	1
Lease liabilities - non-current (Notes 4 and 12)	1,540,108	4	1,639,743	4
Long-term deferred revenue (Note 4)	8,260	-	8,564	-
Guarantee deposits	<u>224,662</u>	<u>-</u>	<u>194,101</u>	<u>-</u>
Total non-current liabilities	<u>10,843,166</u>	<u>25</u>	<u>10,116,432</u>	<u>25</u>
Total liabilities	<u>26,872,604</u>	<u>63</u>	<u>26,405,554</u>	<u>65</u>
<b>EQUITY</b>				
Ordinary shares	9,418,671	22	9,418,671	23
Capital surplus	4,981	-	-	-
Retained earnings				
Legal reserve	1,201,854	3	1,143,477	3
Special reserve	2,055,275	5	2,020,291	5
Unappropriated earnings	3,197,207	7	1,896,068	4
Other equity	<u>(45,083)</u>	<u>-</u>	<u>(153,820)</u>	<u>-</u>
Total equity	<u>15,832,905</u>	<u>37</u>	<u>14,324,687</u>	<u>35</u>
<b>TOTAL</b>	<u>\$ 42,705,509</u>	<u>100</u>	<u>\$ 40,730,241</u>	<u>100</u>

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

# AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
SALES (Notes 4, 22 and 28)	\$ 30,215,337	100	\$ 23,711,193	100
COST OF GOODS SOLD (Notes 9, 23 and 28)	<u>27,353,098</u>	<u>91</u>	<u>21,985,251</u>	<u>93</u>
GROSS PROFIT	<u>2,862,239</u>	<u>9</u>	<u>1,725,942</u>	<u>7</u>
OPERATING EXPENSES (Notes 23 and 28)				
Selling and marketing expenses	149,461	-	164,625	1
General and administrative expenses	617,714	2	532,033	2
Research and development expenses	591,209	2	544,242	2
Expected credit loss (gain) (Notes 4 and 8)	<u>2,662</u>	<u>-</u>	<u>(780)</u>	<u>-</u>
Total operating expenses	<u>1,361,046</u>	<u>4</u>	<u>1,240,120</u>	<u>5</u>
PROFIT FROM OPERATIONS	<u>1,501,193</u>	<u>5</u>	<u>485,822</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4 and 23)	160,157	-	601,754	2
Other gains and losses (Notes 4 and 23)	292,146	1	(535,140)	(2)
Share of profits of subsidiaries and associates (Note 4)	173,160	1	189,176	1
Interest income	15,011	-	2,969	-
Finance costs (Notes 4 and 23)	<u>(163,436)</u>	<u>(1)</u>	<u>(133,155)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>477,038</u>	<u>1</u>	<u>125,604</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	1,978,231	6	611,426	2
INCOME TAX EXPENSE (Notes 4 and 24)	<u>350,898</u>	<u>1</u>	<u>53,413</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>1,627,333</u>	<u>5</u>	<u>558,013</u>	<u>2</u>
OTHER COMPREHENSIVE INCOME (LOSS)(Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	96,820	-	25,759	-
Unrealized loss on investments in equity instruments designated as at fair value through other comprehensive income	<u>(3,510)</u>	<u>-</u>	<u>(3,045)</u>	<u>-</u>

(Continued)

# AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	\$ 112,247	1	\$ (31,939)	-
Other comprehensive income (loss) for the year, net of income tax	205,557	1	(9,225)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,832,890</u>	<u>6</u>	<u>\$ 548,788</u>	<u>2</u>
EARNINGS PER SHARE (Note 25)				
Basic	<u>\$ 1.73</u>		<u>\$ 0.59</u>	
Diluted	<u>\$ 1.72</u>		<u>\$ 0.59</u>	

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

(Concluded)

# AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

## STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company						Other Equity	
	Common Stock (Note 21)	Capital Surplus (Notes 4 and 10)	Retained Earnings (Note 21)			Exchange Differences on Translation of the Financial Statement of Foreign Operations	Unrealized gain (loss) on Investments in Equity Instruments Designated as at Fair Value Through Other Comprehensive Income	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings			
BALANCE AT JANUARY 1, 2021	\$ 9,418,671	\$ -	\$ 1,098,424	\$ 1,931,264	\$ 1,634,749	\$ (89,564)	\$ (29,272)	\$ 13,964,272
Appropriation of 2020 earnings								
Legal reserve	-	-	45,053	-	(45,053)	-	-	-
Special reserve	-	-	-	89,027	(89,027)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(188,373)	-	-	(188,373)
Profit for the year ended December 31, 2021	-	-	-	-	558,013	-	-	558,013
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	25,759	(31,939)	(3,045)	(9,225)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	583,772	(31,939)	(3,045)	548,788
BALANCE AT DECEMBER 31, 2021	9,418,671	-	1,143,477	2,020,291	1,896,068	(121,503)	(32,317)	14,324,687
Appropriation of 2021 earnings								
Legal reserve	-	-	58,377	-	(58,377)	-	-	-
Special reserve	-	-	-	34,984	(34,984)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(329,653)	-	-	(329,653)
Changes in capital surplus from investments in associates accounted for using the equity method	-	4,981	-	-	-	-	-	4,981
Profit for the year ended December 31, 2022	-	-	-	-	1,627,333	-	-	1,627,333
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	96,820	112,247	(3,510)	205,557
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	1,724,153	112,247	(3,510)	1,832,890
BALANCE AT DECEMBER 31, 2022	\$ 9,418,671	\$ 4,981	\$ 1,201,854	\$ 2,055,275	\$ 3,197,207	\$ (9,256)	\$ (35,827)	\$ 15,832,905

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

# AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 1,978,231	\$ 611,426
Adjustments for:		
Depreciation expense	1,233,421	1,223,104
Amortization expense	178,397	218,919
Expected credit loss gain	2,662	(780)
Finance costs	163,436	133,155
Interest income	(15,011)	(2,969)
Dividend income	(131)	(123)
Share of profit of subsidiaries and associates	(173,160)	(189,176)
Loss on disposal of property, plant and equipment	102	63
Impairment loss recognized on non-financial assets	193,983	400,004
Unrealized net loss on foreign currency exchange	9,620	8,936
Recognition of provisions	146,756	7,222
Other income from liabilities	(3,376)	(13,612)
Benefits from lease modification	(24,025)	(24,025)
Net changes in operating assets and liabilities		
Contract assets	(990,313)	423,424
Notes receivable	12,552	32,358
Trade receivables	(19,292)	316,818
Other receivables	(34,388)	6,429
Inventories	(1,749,234)	11,012
Other current assets	458,019	661,315
Contract liabilities	639,364	35,799
Trade payables	(401,281)	765,118
Other payables	1,023,726	137,053
Other current liabilities	30,195	(47,432)
Deferred income	(304)	4,708
Cash generated from operations	2,659,949	4,718,746
Interest received	15,010	4,778
Interest paid	(144,234)	(111,383)
Income tax paid	(58,724)	(61,801)
Net cash generated from operating activities	<u>2,472,001</u>	<u>4,550,340</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of investments accounted for using the equity method	(15,000)	-
Payments for property, plant and equipment	(279,493)	(1,038,632)
Proceeds from disposal of property, plant and equipment	2	1
Increase in refundable deposits	(38,719)	(38,589)
Decrease in refundable deposits	46,116	45,226
Payments for intangible assets	(154,931)	(150,545)
Decrease (increase) in other financial assets	(190)	23,770

(Continued)



# AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Increase in other non-current assets	\$ (10,147)	\$ (10,287)
Increase in prepayments for equipment	(283,001)	(208,614)
Dividends received	<u>131</u>	<u>123</u>
Net cash used in investing activities	<u>(735,232)</u>	<u>(1,377,547)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	24,050,000	21,125,000
Repayments of short-term borrowings	(23,750,000)	(23,635,000)
Proceeds from short-term bills payable	28,293,541	67,310,050
Repayments of short-term bills payable	(30,542,579)	(70,369,409)
Proceeds from bonds payable	-	3,445,585
Proceeds from long-term borrowings	36,587,000	25,203,000
Repayments of long-term borrowings	(35,967,000)	(27,283,000)
Proceeds of guarantee deposits	125,219	118,735
Refund of guarantee deposits	(94,658)	(104,343)
Repayment of the principal portion of lease liabilities	(94,001)	(93,793)
Dividends paid to owners of the Company	<u>(329,653)</u>	<u>(188,373)</u>
Net cash used in financing activities	<u>(1,722,131)</u>	<u>(4,471,548)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	14,638	(1,298,755)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>3,251,313</u>	<u>4,550,068</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 3,265,951</u>	<u>\$ 3,251,313</u>

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

(Concluded)

<b>Aerospace Industrial Development Corporation</b> <b>Proposal for Earnings Distribution of 2022 Profits</b>	
Currency: in NTD	
Item	Amounts
Distributable earnings at beginning of period	1,473,052,996
Remeasurement of defined benefit plans	96,820,000
Distributable earnings after adjustment	1,569,872,996
Annual net profit after tax	1,627,332,849
Less Items:	
Legal reserve ( 10% )	-172,415,285
Legal special reserve	-45,082,873
Add Items:	
Reverse previous year self-listing of Special reserve	153,820,020
Accumulate available for distribution surplus	3,133,527,707
Distribution Items :	
Cash dividend to shareholders (NT\$1.08 per share)	-1,017,216,469
Total distribution	-1,017,216,469
Unappropriated earnings at the end of period	2,116,311,238

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

Attachment VI

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

After amendment	Before amendment	Cause of amendment
<p>Article 3    The attendance of the meeting shall be counted based on the shares represented. Numbers of shares present at the meeting shall be counted based on registration book, attendance cards, <u>and the shares checked in on the virtual meeting platform, plus the shares that exercise their voting power in writing or electronic form.</u></p> <p>The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of outstanding shares of the Company, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of outstanding shares of the Company, the chair shall declare the meeting adjourned. <u>In the event of a virtual shareholders' meeting, the Company shall also declare the meeting adjourned at the virtual meeting platform.</u></p> <p>Unless otherwise stipulated by the Company Act, resolutions of shareholders' meetings shall be reached by a majority of the shareholders who represent half or more of the total number of outstanding shares of the Company.</p> <p>When the number of shareholders presented does not constitute the quorum prescribed in the preceding Paragraph, but</p>	<p>Article 3    The attendance of the meeting shall be counted based on the shares represented. Numbers of shares present at the meeting shall be counted based on registration book and attendance cards submitted along with voting powers exercised in writing or electronic form.</p> <p>The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of outstanding shares of the Company, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of outstanding shares of the Company, the chair shall declare the meeting adjourned.</p> <p>Unless otherwise stipulated by the Company Act, resolutions of shareholders' meetings shall be reached by a majority of the shareholders who represent half or more of the total number of outstanding shares of the Company.</p> <p>When the number of shareholders present does not constitute the quorum prescribed in the preceding Paragraph, but those present represent one third or more of the total number of outstanding shares of the Company, a tentative resolution may be passed by a majority of</p>	<ol style="list-style-type: none"> <li>1. Amendment to the provision.</li> <li>2. Amendments are made in accordance with Article 44-16 and 44-13 of the Regulations Governing the Administration of Shareholder Services of Public Companies.</li> </ol>

After amendment	Before amendment	Cause of amendment
<p>sufficiently represent one third or more of the total number of outstanding shares of the Company, a tentative resolution may be passed by a majority of those who present. Each of the shareholders shall be informed on such tentative resolution and a shareholders' meeting shall be reconvened within one month. <u>In the event of a virtual shareholders' meeting, shareholders intending to attend the meeting online shall re-register according to the Company's Rules and Procedures of Shareholders' Meeting in accordance with Article 4-1.</u> In the aforesaid shareholders' meeting, if the tentative resolution is again adopted by a majority of those present who represent one third or more of the total number of outstanding shares, such tentative resolution shall be deemed to be a formal resolution.</p>	<p>those present. Each of the shareholders shall be informed on such tentative resolution and a shareholders' meeting shall be reconvened within one month. In the aforesaid shareholders' meeting, if the tentative resolution is again adopted by a majority of those present who represent one third or more of the total number of outstanding shares, such tentative resolution shall be deemed to be a formal resolution.</p>	
<p>Article 4 The Company's rules and procedures, <u>agenda handbook and supplemental materials under the preceding paragraph for shareholders' meetings shall be held in accordance with</u> Regulations Governing Content and Compliance Requirements for Shareholders' Meeting Agenda Handbooks of Public Companies. Thirty days before the Company is to convene an annual shareholders' meeting and fifteen days before a special shareholders' meeting, the Company shall inform the shareholders on meeting notice and shareholders' meeting agenda. The meeting notice shall contain reasons for convening the meeting and may be presented in electronic form. Election or discharge of directors; changes in the Articles of Incorporation; capital reduction; termination of public issuance; exemption of non-competition restrictions for directors; transfer</p>	<p>Article 4 The Company's rules and procedures for shareholders' meetings shall be held in accordance with Regulations Governing Content and Compliance Requirements for Shareholders' Meeting Agenda Handbooks of Public Companies. Thirty days before the Company is to convene an annual shareholders' meeting and fifteen days before a special shareholders' meeting, the Company shall inform the shareholders on meeting notice and shareholders' meeting agenda. The meeting notice shall contain reasons for convening the meeting and may be presented in electronic form. Election or discharge of directors; changes in the Articles of Incorporation; capital reduction; termination of public issuance; exemption of non-competition restrictions for directors; transfer of profits to capital increase; transfer of reserve to capital</p>	<ol style="list-style-type: none"> <li>1. Amendment to the provision.</li> <li>2. Amendments are made in accordance with Article 6 of the Regulations Governing Content and Compliance Requirements for Shareholders' Meeting Agenda Handbooks of Public Companies.</li> </ol>

After amendment	Before amendment	Cause of amendment
<p>of profits to capital increase; transfer of reserve to capital increase; dismissal, merge and demerger of the Company or issues regarding Article 185-1 of the Company Act; issues regarding Article 26-1, 43-6 of the Securities and Exchange Act and Article 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be listed in the reasons for convening the meeting with description and shall not be proposed as extempore motions. When election of the board is held in a shareholders' meeting and the meeting notice contains a set inauguration date for the new board, such date shall not be altered after completion of the election either by an extempore motion or any other means in the same meeting.</p> <p>Shareholders holding one percent or more of the total number of outstanding shares of the Company may propose one proposal at most to annual shareholders' meeting in writing. In cases where a proposal contains more than one matter, such proposal shall not be included in the agenda.</p> <p>Proposals with regard to Article 172-1, Paragraph 4 of the Company Act submitted by shareholders may not be listed as discussion items by the Board of Directors. Shareholders may submit a proposal regarding promotion of CSR by following the procedure cited in Article 172-1 of the Company Act, with the limitation of one CSR proposal per meeting. The rest, if any, will not be included in the agenda.</p> <p>Prior to the book closure date before the convening of a regular shareholders' meeting, the Company shall give a public notice announcing acceptance of</p>	<p>increase; dismissal, merge and demerger of the Company or issues regarding Article 185-1 of the Company Act; issues regarding Article 26-1, 43-6 of the Securities and Exchange Act and Article 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be listed in the reasons for convening the meeting with description and shall not be proposed as extempore motions. When election of the board is held in a shareholders' meeting and the meeting notice contains a set inauguration date for the new board, such date shall not be altered after completion of the election either by an extempore motion or any other means in the same meeting.</p> <p>Shareholders holding one percent or more of the total number of outstanding shares of the Company may propose one proposal at most to annual shareholders' meeting in writing. In cases where a proposal contains more than one matter, such proposal shall not be included in the agenda.</p> <p>Proposals with regard to Article 172-1, Paragraph 4 of the Company Act submitted by shareholders may not be listed as discussion items by the Board of Directors. Shareholders may submit a proposal regarding promotion of CSR by following the procedure cited in Article 172-1 of the Company Act, with the limitation of one CSR proposal per meeting. The rest, if any, will not be included in the agenda.</p> <p>Prior to the book closure date before the convening of a regular shareholders' meeting, the Company shall give a public notice announcing acceptance of proposals, acceptable formats of proposal, the place and the period</p>	

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

After amendment	Before amendment	Cause of amendment
which is convened by persons, other than the Board, with the meeting calling right.	meeting calling right.	
<p><u>Article 4-1</u> If the Company shareholders' meeting is convened by videoconference, it shall be handled in accordance with the Regulations Governing the Administration of Shareholder Services of Public Companies. In the event of a virtual shareholders' meeting, shareholders wishing to attend the meeting online shall register with this Corporation two days before the meeting date, and the same applies to cancellation.</p>	(Addition)	<ol style="list-style-type: none"> <li>1. Addition to the provision.</li> <li>2. Additions are made in accordance with Article 44-9 and 44-13 of the Regulations Governing the Administration of Shareholder Services of Public Companies.</li> </ol>
<p>Article 5 Unless otherwise restricted or in the circumstances provided by Article 179-2 of the Company Act, a shareholder shall have one voting right in respect of each share of the Company in the shareholder's possession. When a shareholder is government agency or corporate shareholder, it may designate more than one representative. The exercising of its voting power, however, is counted based on the number of shares it holds. In cases where two representatives are appointed, they shall exercise the voting rights jointly. Prior to a shareholders' meeting is convened, a shareholder may appoint one proxy only to attend the meeting through a power of attorney issued by the Company stating therein the scope of power authorized to the proxy. Such power of attorney shall be delivered to the Company five days before the convening of the meeting. In cases where two or more written proxies are sent, the first one received by the Company shall prevail. When a person acts as the proxy for two or more shareholders, the number of voting rights represented by the person shall</p>	<p>Article 5 Unless otherwise restricted or in the circumstances provided by Article 179-2 of the Company Act, a shareholder shall have one voting right in respect of each share of the Company in the shareholder's possession. When a shareholder is government agency or corporate shareholder, it may designate more than one representative. The exercising of its voting power, however, is counted based on the number of shares it holds. In cases where two representatives are appointed, they shall exercise the voting rights jointly. Prior to a shareholders' meeting is convened, a shareholder may appoint one proxy only to attend the meeting through a power of attorney issued by the Company stating therein the scope of power authorized to the proxy. Such power of attorney shall be delivered to the Company five days before the convening of the meeting. In cases where two or more written proxies are sent, the first one received by the Company shall prevail. When a person acts as the proxy for two or more shareholders, the number of voting rights represented by the person shall</p>	<ol style="list-style-type: none"> <li>1. Amendment to the provision.</li> <li>2. Amendments are made in accordance with Article 44-12 of the Regulations Governing the Administration of Shareholder Services of Public Companies.</li> </ol>

After amendment	Before amendment	Cause of amendment
<p>not exceed 3 percent of the total number of voting rights of the Company, otherwise, the portion of excessive voting rights shall not be counted.</p> <p><u>If, after a proxy form is delivered to this Corporation, a shareholder wishes to attend the shareholders' meeting online, a written notice of proxy cancellation shall be submitted to this Corporation two business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.</u></p>	<p>not exceed 3 percent of the total number of voting rights of the Company, otherwise, the portion of excessive voting rights shall not be counted.</p>	
<p>Article 8 When a shareholder present at a shareholders' meeting wishes to speak, a speech note shall be filled out with summary of the speech, the shareholder's number (or the number of attendance card) and the name of the shareholder. The order of speeches by shareholders shall be decided by the chair. If any shareholder present at a shareholders' meeting submits a speech note but does not speak, no speech should be deemed to have been made by such shareholder. In cases where the contents of the speech of a shareholder are inconsistent with the contents of the speech note filled out, the contents of actual speech shall prevail. Unless otherwise permitted by the chair, each shareholder shall not, for each discussion item, speak more than two times (each time not exceeding 5 minutes). In cases where the speech of any shareholder violates the above provision or exceeds the scope of the discussion item, the chair may stop the speech of such shareholder. Unless otherwise permitted by the chair and the shareholder in speaking, no shareholder shall interrupt the speeches of the other shareholders, otherwise the</p>	<p>Article 8 When a shareholder present at a shareholders' meeting wishes to speak, a speech note shall be filled out with summary of the speech, the shareholder's number (or the number of attendance card) and the name of the shareholder. The order of speeches by shareholders shall be decided by the chair. If any shareholder present at a shareholders' meeting submits a speech note but does not speak, no speech should be deemed to have been made by such shareholder. In cases where the contents of the speech of a shareholder are inconsistent with the contents of the speech note filled out, the contents of actual speech shall prevail. Unless otherwise permitted by the chair, each shareholder shall not, for each discussion item, speak more than two times (each time not exceeding 5 minutes). In cases where the speech of any shareholder violates the above provision or exceeds the scope of the discussion item, the chair may stop the speech of such shareholder. Unless otherwise permitted by the chair and the shareholder in speaking, no shareholder shall interrupt the speeches of the other shareholders, otherwise the</p>	<ol style="list-style-type: none"> <li>1. Amendment to the provision.</li> <li>2. Amendments are made in accordance with Article 44-17 of the Regulations Governing the Administration of Shareholder Services of Public Companies.</li> </ol>



After amendment	Before amendment	Cause of amendment
<p>chair shall stop such interruption. If a corporate shareholder designates two or more representatives to present at a shareholders' meeting, only one representative can speak for each discussion item.</p> <p><u>Where a virtual shareholders' meeting is convened, shareholders attending the virtual meeting online may raise questions in writing at the virtual meeting platform from the chair declaring the meeting open until the chair declaring the meeting adjourned. No more than two questions for the same proposal may be raised, and each question shall contain no more than 200 words. The regulations in paragraphs 1 to 5 do not apply.</u></p> <p>After the speech of a shareholder, the chair may respond in person or appoint an appropriate person to respond.</p>	<p>chair shall stop such interruption. If a corporate shareholder designates two or more representatives to present at a shareholders' meeting, only one representative can speak for each discussion item.</p> <p>After the speech of a shareholder, the chair may respond in person or appoint an appropriate person to respond.</p>	
<p>Article 9 When election is held in a shareholders' meeting, relevant rules of election set by the Company shall be followed and the election result, including list of director elected and voting rights obtained, shall be announced at the meeting. <u>In the event of a virtual shareholders' meeting, the record shall be made and uploaded to the video conference platform.</u></p> <p>Ballots of the aforesaid election shall be sealed with signatures by the persons to monitor and kept in proper custody for at least one year. When lawsuits are filed in pursuant to Article 189 of the Company Act, the relevant audio or video record shall be retained until the conclusion of the litigation.</p>	<p>Article 9 When election is held in a shareholders' meeting, relevant rules of election set by the Company shall be followed and the election result, including list of director elected and voting rights obtained, shall be announced at the meeting.</p> <p>Ballots of the aforesaid election shall be sealed with signatures by the persons to monitor and kept in proper custody for at least one year. When lawsuits are filed in pursuant to Article 189 of the Company Act, the relevant audio or video record shall be retained until the conclusion of the litigation.</p>	<p>1. Amendment to the provision.</p> <p>2. Amendments are made in accordance with Article 44-19 of the Regulations Governing the Administration of Shareholder Services of Public Companies.</p>
<p>Article 11 Numbers of shares that are solicited through solicitation, represented by proxy, <u>and the number of shares represented by shareholders attending the</u></p>	<p>Article 11 Numbers of shares that are solicited by solicitors and represented by proxy shall be presented in a statistical table in required format by the Company</p>	<p>1. Amendment to the provision.</p> <p>2. Amendments are made in accordance with</p>

After amendment	Before amendment	Cause of amendment
<u>meeting in person or by electronic means</u> , shall be presented in a statistical table in required format by the Company and shall be revealed explicitly at the venue of the shareholders' meeting.	and shall be revealed explicitly at the venue of a shareholders' meeting.	Article 44-15 of the Regulations Governing the Administration of Shareholder Services of Public Companies.
<u>Article 12-1</u> <u>In the event of a virtual shareholders' meeting when the proceedings are obstructed due to natural disasters, accidents or other force majeure events, and the obstruction continues for more than 30 minutes, the meeting shall be postponed to or resumed on another date within five days, in which case Article 182 of the Company Act shall not apply. In the event that the circumstances described in the preceding paragraph occur, the Company shall postpone or resume the meeting in accordance with Article 44-20, paragraph 4 of the Regulations Governing the Administration of Shareholder Services of Public Companies.</u>	(Addition)	1. Addition to the provision. 2. Additions are made in accordance with Article 44-20 of the Regulations Governing the Administration of Shareholder Services of Public Companies.
<u>Article 12-2</u> <u>When convening a virtual-only shareholders meeting, this Corporation shall provide appropriate alternative measures to shareholders with difficulties in attending a virtual shareholders meeting.</u>	(Addition)	1. Addition to the provision. 2. Additions are made in accordance with Article 44-21 of the Regulations Governing the Administration of Shareholder Services of Public Companies.

## **Aerospace Industrial Development Corporation**

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

- Article 1 Shareholders' meeting of the Company, except as otherwise governed by the laws and regulations or the Articles of Incorporation, shall be proceeded in compliance with the rules and procedures set out herein.
- Article 2 Shareholders' meeting of the Company, except as otherwise governed by the laws and regulations, shall be convened by the Board of Directors.
- Article 3 The attendance of the meeting shall be counted based on the shares represented. Numbers of shares present at the meeting shall be counted based on registration book, attendance cards, and the shares checked in on the virtual meeting platform, plus the shares that exercise their voting power in writing or electronic form.
- The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of outstanding shares of the Company, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of outstanding shares of the Company, the chair shall declare the meeting adjourned. In the event of a virtual shareholders' meeting, the Company shall also declare the meeting adjourned at the virtual meeting platform.
- Unless otherwise stipulated by the Company Act, resolutions of shareholders' meetings shall be reached by a majority of the shareholders who represent half or more of the total number of outstanding shares of the Company.
- When the number of shareholders presented does not constitute the quorum prescribed in the preceding Paragraph, but sufficiently represent one third or more of the total number of outstanding shares of the Company, a tentative resolution may be passed by a majority of those who present. Each of the shareholders shall be informed on such tentative resolution and a shareholders' meeting shall be reconvened within one month. In the event of a virtual shareholders' meeting, shareholders intending to attend the meeting online shall re-register according to the Company's Rules and Procedures of Shareholders' Meeting in accordance with Article 4-1.
- In the aforesaid shareholders' meeting, if the tentative resolution is again adopted by a majority of those present who represent one third or more of the total number of outstanding shares, such tentative resolution shall be deemed to be a formal resolution.
- Article 4 The Company's rules and procedures, agenda handbook and supplemental materials under the preceding paragraph for shareholders' meetings shall be held in accordance with Regulations Governing Content and Compliance Requirements for Shareholders' Meeting Agenda Handbooks of Public Companies.
- Thirty days before the Company is to convene an annual shareholders' meeting and fifteen days before a special shareholders' meeting, the Company shall inform the shareholders on meeting notice and shareholders' meeting agenda. The meeting notice shall contain reasons for convening the meeting and may be presented in electronic form.
- Election or discharge of directors; changes in the Articles of Incorporation; capital reduction; termination of public issuance; exemption of non-competition restrictions for directors; transfer of profits to capital increase; transfer of reserve to capital increase; dismissal, merge and demerger of the Company or issues regarding Article 185-1 of the Company Act; issues regarding Article 26-1, 43-6 of the Securities and Exchange Act and Article 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be listed in the reasons for convening the meeting with description and shall not be proposed as extempore motions.
- When election of the board is held in a shareholders' meeting and the meeting notice contains a set inauguration date for the new board, such date shall not be altered after completion of the election either by an extempore motion or any other means in the same meeting.
- Shareholders holding one percent or more of the total number of outstanding shares of the Company

may propose one proposal at most to annual shareholders' meeting in writing. In cases where a proposal contains more than one matter, such proposal shall not be included in the agenda. Proposals with regard to Article 172-1, Paragraph 4 of the Company Act submitted by shareholders may not be listed as discussion items by the Board of Directors. Shareholders may submit a proposal regarding promotion of CSR by following the procedure cited in Article 172-1 of the Company Act, with the limitation of one CSR proposal per meeting. The rest, if any, will not be included in the agenda.

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

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

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

The agenda of shareholders' meetings shall be set by the Board of Directors when it is convened by the Board. All the proposals in the agenda shall be voted consecutively (including extempore motions and amendments.) Unless otherwise resolved at shareholders' meetings, the meetings shall proceed in accordance with the agenda. Before all proposals, including extempore motions, listed in the agenda are resolved, the chair shall not announce adjournment of the meeting unless otherwise resolved. It also applies to a shareholders' meeting which is convened by persons, other than the Board, with the meeting calling right.

Article 4-1 If the Company shareholders' meeting is convened by videoconference, it shall be handled in accordance with the Regulations Governing the Administration of Shareholder Services of Public Companies.

In the event of a virtual shareholders' meeting, shareholders wishing to attend the meeting online shall register with this Corporation two days before the meeting date, and the same applies to cancellation.

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

When a shareholder is government agency or corporate shareholder, it may designate more than one representative. The exercising of its voting power, however, is counted based on the number of shares it holds. In cases where two representatives are appointed, they shall exercise the voting rights jointly. Prior to a shareholders' meeting is convened, a shareholder may appoint one proxy only to attend the meeting through a power of attorney issued by the Company stating therein the scope of power authorized to the proxy. Such power of attorney shall be delivered to the Company five days before the convening of the meeting. In cases where two or more written proxies are sent, the first one received by the Company shall prevail.

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

If, after a proxy form is delivered to this Corporation, a shareholder wishes to attend the shareholders' meeting online, a written notice of proxy cancellation shall be submitted to this Corporation two business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

Article 6 Registration of shareholders, proceedings of shareholders' meetings, voting and vote counting shall be recorded in audio and video uninterruptedly by the Company and shall be retained for at least one

- year. When lawsuits are filed in pursuant to Article 189 of the Company Act, the relevant audio or video record shall be retained until the conclusion of the litigation.
- Article 7 When the chair at a shareholders' meeting deem that a proposal, amendment or extempore motion has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call a vote.
- Article 8 When a shareholder present at a shareholders' meeting wishes to speak, a speech note shall be filled out with summary of the speech, the shareholder's number (or the number of attendance card) and the name of the shareholder. The order of speeches by shareholders shall be decided by the chair. If any shareholder present at a shareholders' meeting submits a speech note but does not speak, no speech should be deemed to have been made by such shareholder. In cases where the contents of the speech of a shareholder are inconsistent with the contents of the speech note filled out, the contents of actual speech shall prevail.
- Unless otherwise permitted by the chair, each shareholder shall not, for each discussion item, speak more than two times (each time not exceeding 5 minutes). In cases where the speech of any shareholder violates the above provision or exceeds the scope of the discussion item, the chair may stop the speech of such shareholder.
- Unless otherwise permitted by the chair and the shareholder in speaking, no shareholder shall interrupt the speeches of the other shareholders, otherwise the chair shall stop such interruption. If a corporate shareholder designates two or more representatives to present at a shareholders' meeting, only one representative can speak for each discussion item.
- Where a virtual shareholders' meeting is convened, shareholders attending the virtual meeting online may raise questions in writing at the virtual meeting platform from the chair declaring the meeting open until the chair declaring the meeting adjourned. No more than two questions for the same proposal may be raised, and each question shall contain no more than 200 words. The regulations in paragraphs 1 to 5 do not apply.
- After the speech of a shareholder, the chair may respond in person or appoint an appropriate person to respond.
- Article 9 When election is held in a shareholders' meeting, relevant rules of election set by the Company shall be followed and the election result, including list of director elected and voting rights obtained, shall be announced at the meeting. In the event of a virtual shareholders' meeting, the record shall be made and uploaded to the video conference platform.
- Ballots of the aforesaid election shall be sealed with signatures by the persons to monitor and kept in proper custody for at least one year. When lawsuits are filed in pursuant to Article 189 of the Company Act, the relevant audio or video record shall be retained until the conclusion of the litigation.
- Article 10 Resolutions of a shareholders' meeting shall be recorded in meeting minutes which shall bear the signature or seal of the chair and shall be distributed to each shareholders within 20 days after the meeting.
- The aforesaid meeting minutes may be produced and distributed in electronic form.
- Article 11 Numbers of shares that are solicited through solicitation, represented by proxy, and the number of shares represented by shareholders attending the meeting in person or by electronic means, shall be presented in a statistical table in required format by the Company and shall be revealed explicitly at the venue of the shareholders' meeting.
- Article 12 During a shareholders' meeting, the chair may announce an intermission at the chair's discretion. When an event of force majeure occurs, the chair may decide to suspend the meeting and announce the time for resumption of the meeting depending on the situation.
- Before all discussion items listed in the agenda are resolved but venue for a shareholders' meeting becomes unavailable, the meeting may resolve to resume the meeting elsewhere.
- Pursuant to Article 182 of the Company Act, shareholders' meeting may resolve to postpone or reconvene the meeting for not more than five days.
- Article 12-1 In the event of a virtual shareholders' meeting when the proceedings are obstructed due to natural disasters, accidents or other force majeure events, and the obstruction continues for more than 30 minutes, the meeting shall be postponed to or resumed on another date within five days, in which

case Article 182 of the Company Act shall not apply.

In the event that the circumstances described in the preceding paragraph occur, the Company shall postpone or resume the meeting in accordance with Article 44-20, paragraph 4 of the Regulations Governing the Administration of Shareholder Services of Public Companies.

Article 12-2 When convening a virtual-only shareholders meeting, this Corporation shall provide appropriate alternative measures to shareholders with difficulties in attending a virtual shareholders meeting.

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

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

## Mapping of the Amended Provisions of the Acquisition and Disposal of Assets Disposal Procedures and the Original Provisions

After amendment		Before amendment	Cause of amendment
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. When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the <u>self-regulatory rules of the</u></li> </ol>	<p>Article 4</p> <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. When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</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 5.</li> <li>2. Revise and regulate matters such as professional valuation reports or opinions, executions, statements and other matters issued by project appraisers and their appraisers, accountants, lawyers or securities underwriters.</li> </ol>

After amendment	Before amendment	Cause of amendment
<p><u>industry associations to which they belong and with the following provisions:</u></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 <u>conducting</u> 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 <u>appropriateness</u> 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 <u>appropriate and reasonable</u>, and that they have complied with applicable laws and regulations.</li> </ol>	<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 <u>comprehensiveness, accuracy</u>, 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 <u>reasonable and accurate</u>, and that they have complied with applicable laws and regulations.</li> </ol>	
<p>Article 7      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</p>	<p>Article 7      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</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 9.</li> <li>2. Considering that Article 4 has been amended and supplemented to</li> </ol>



After amendment	Before amendment	Cause of amendment
<p>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:</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 also be followed whenever there is any subsequent 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 disposed of are lower than the transaction amount, a certified public accountant shall be engaged to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price: <ol style="list-style-type: none"> <li>A. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</li> <li>B. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</li> </ol> </li> </ol>	<p>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:</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 also be followed whenever there is any subsequent 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 disposed of are lower than the transaction amount, a certified public accountant shall be engaged to <u>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</u> render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price: <ol style="list-style-type: none"> <li>A. The discrepancy between the appraisal result and the transaction amount is 20</li> </ol> </li> </ol>	<p>require external experts to issue opinions in accordance with the self-discipline norms of their trade associations, which already covers the procedures that accountants should implement when issuing opinions, paragraph 1, paragraph 3, and the language that accountants should handle in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) is deleted.</p>

After amendment	Before amendment	Cause of amendment
<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>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.</p>	
<p>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. 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).</p>	<p>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. <u>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.</u>  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).</p>	<p>1. Amendment to the provision in accordance with Governing the Acquisition and Disposal of Assets by Public Companies Article 10.  2. The reason for revision is the same as that explained in Article 7.</p>

After amendment	Before amendment	Cause of amendment
<p>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.</p>	<p>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; <u>the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</u></p>	<p>1. Amendment to the provision in accordance with Governing the Acquisition and Disposal of Assets by Public Companies Article 11. 2. The reason for revision is the same as that explained in Article 7.</p>
<p>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</p>	<p>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</p>	<p>1. Amendment to the provision in accordance with Governing the Acquisition and Disposal of Assets by Public Companies Article 15. 2. Add the fourth item of this article: (1) In order to strengthen the management of related party transactions, protect the rights of minority shareholders to express their opinions on the company's transactions with related parties, and to prevent the company from conducting major related party transactions through subsidiaries that are not domestic public offering companies, this article stipulates. 3. Paragraph 2 of the</p>

After amendment	Before amendment	Cause of amendment
<p>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 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.</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 preceding article.</li> <li>7. Restrictive covenants and other important stipulations associated with the transaction.</li> </ol> <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</p>	<p>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 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.</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 preceding article.</li> <li>7. Restrictive covenants and other important stipulations associated with the transaction.</li> </ol> <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</p>	<p>current provision has been moved to Paragraph 5 of the amended provision, and in line with the addition of Paragraph 4, the calculation of the revised transaction amount shall be included in the transaction submitted to the shareholders' meeting for approval.</p>

After amendment	Before amendment	Cause of amendment
<p>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 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><u>If the company or a subsidiary thereof has a transaction set out in paragraph 1 and the transaction amount reaches over 10 percent of the company's total assets, the company shall submit the materials in all the subparagraphs of paragraph 1 to the shareholders meeting for approval before the transaction contract may be settled and any payment made. However, this restriction does not apply to transactions between the company and subsidiaries or between its subsidiaries.</u></p> <p>The calculation of the transaction amounts referred to in paragraph 1 and 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>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 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 26 Under any of the following circumstances, the company acquiring or disposing of assets</p>	<p>Article 26 Under any of the following circumstances, the company acquiring or disposing of assets</p>	<p>1.Amendment to the provision in accordance with</p>

After amendment	Before amendment	Cause of amendment
<p>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 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 more, the transaction amount reaches NT\$1 billion or more.</li> </ol> </li> </ol>	<p>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 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 more, the transaction amount reaches NT\$1 billion or more.</li> </ol> </li> </ol>	<p>Governing the Acquisition and Disposal of Assets by Public Companies Article 31.</p> <p>2. In order to comply with the regulations, the foreign government bonds whose bond issuance rating is not lower than my country's sovereign rating level are relaxed, may also be exempted from the announcement declaration.</p>

After amendment	Before amendment	Cause of amendment
<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 furthermore the transaction counterparty is not a related party, 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 <u>or foreign government bonds with a rating that is not lower than the sovereign rating of Taiwan.</u></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 or right-of-use assets thereof</li> </ol>	<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 furthermore the transaction counterparty is not a related party, 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 or right-of-use assets thereof (cumulative acquisitions and disposals, respectively) within the same development project</li> </ol>	

After amendment	Before amendment	Cause of amendment
<p>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, and securities underwriter opinions at the company headquarters, where they shall be retained for 5 years except where another act provides otherwise.</p>	<p>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, and securities underwriter opinions at the company headquarters, where they shall be retained for 5 years except where another act provides otherwise.</p>	



# **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

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:

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.
2. May not be a related party or de facto related party of any party to the transaction.
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 self-regulatory rules of the industry associations to which they belong and with the following provisions:

1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
2. When conducting 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.
3. They shall undertake an item-by-item evaluation of the appropriateness 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.
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 appropriate and reasonable, and that they have complied with applicable laws and regulations.

**Chapter II**

**Disposition Procedures**

Section I

Establishment of Disposition Procedures

Article 5

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.

Article 6

The acquisition and disposal of assets shall be conducted according to the subject provisions and in compliance with the following procedures:

1. Related party transaction: the provisions of ESP-AR-023 Operating Regulations of AIDC Related Party Transaction.
2. Derivatives trading: the provisions of ESP-GR-002 Operating Regulations of AIDC Derivatives Trading.
3. Fixed and Intangible Assets Disposal: the provisions of SP-GR-023 Operating Regulations of Fixed and Intangible Assets Acquisition, SP-GR-022 Operating Regulations of Fixed and Intangible Assets Disposal.
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.
5. Reinvestment: the provisions of SP-AR-007 Operating Regulations of Reinvestment Assessment

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.
  7. Subsidiary Governance: the provisions of ESP-AR-021 Operating Regulations of AIDC Supervision and Management of Subsidiaries.
  8. Information declaration: SP-GR-037 Operating Regulations of market observatory post system.
- 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.
- 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 Acquisition or Disposal of Assets
- Article 7 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 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. 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.

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 Related Party Transactions

Article 10-1 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.

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.

If the company or a subsidiary thereof has a transaction set out in paragraph 1 and the transaction amount reaches over 10 percent of the company's total assets, the company shall submit the materials in all the subparagraphs of paragraph 1 to the shareholders meeting for approval before the transaction contract may be settled and any payment made. However, this restriction does not apply to transactions between the company and subsidiaries or between its subsidiaries.

The calculation of the transaction amounts referred to in paragraph 1 and 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.

#### 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 thereof 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 Engaging in Derivatives Trading

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:

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** Mergers and Consolidations, Splits, Acquisitions, and Assignment of Shares

**Article 19** 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 or foreign government bonds with a rating that is not lower than the sovereign rating of Taiwan.
  - 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.