



Aerospace Industrial Development Corporation

Annual Report 2022

Notice to readers

This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Company Website: <https://www.aidc.com.tw>

MOPS website: <https://mops.twse.com.tw>

Date of Publication: April, 2023

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Name of CPAs: Wu Li-Tung, Su Ting-Chien

Name of Accounting Firm: Deloitte Taiwan

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Overseas Securities Exchange: N/A



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Chapter 1. Letter to Shareholders

Dear Shareholders,

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.

2022 Operational Report

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

2023 Business Plan

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.

I wish you all good fortune and good health.

Kai-Hung, Hu
Chairman



Chapter 2. Company Profile

Date of Incorporation

Aerospace Industry Development Corp. was established on July 1, 1996.

Company History

Year	Milestones
1996	1. Reorganized as "Aerospace Industry Development Corporation" and transferred to the Ministry of Economic Affairs. AIDC then moves towards the reengineering as an enterprise, privatization and internationalization. The corporate strategy has also been attuned from military aviation to military and civil aviation. 2. Entered into a joint venture agreement with Sikorsky Aircraft United Technologies Corp. for the development of the S-92 helicopter. This is the very first time that this entity was engaged in an international big firm in aircraft manufacturing for joint design and development of an aircraft before turning into a state-owned enterprise.
1999	1. Entered into an agreement with Bombardier for the joint development of the tail for the CL300 commercial aircraft. This was a milestone of AIDC for the development of civil aviation technology. 2. Ended the production of the IDF.
2000	Engine Casing Plant No. 1 was established. This laid down the foundation of production capacity for civil aircraft engine casing.
2006	The upgrade of IDF "Ching Kuo" under the scheme codenamed as "F-KC-1, C/D, Hsiang Sheng". The IDF has successfully launched its pilot flight in the air show after the upgrade.
2008	Delivery of the 100th S-92 helicopter cockpit.
2009	Entered into a supply agreement with MITAC of Japan for supply system parts of aircrafts, and participated in the design and manufacturing of products for the MRJ.
2010	The official opening of Taiwan Advanced Composite Center (TACC), which was a milestone for the development of the aerospace industry and composite materials industry in the history of Taiwan.
2011	1. Accomplishment of the IDF Ching Kuo upgrade program with the delivery of the first batch of upgraded jet fighters. 2. Accomplishment of the debut flight from Taichung to Kinmen, the launch of commercial chartered flight service provided by AIDC. This started the new era of AIDC in participation in commercial chartered flight business.
2012	Completion of the 400th aircraft of the CL-300 project. This is an important milestone of this project.

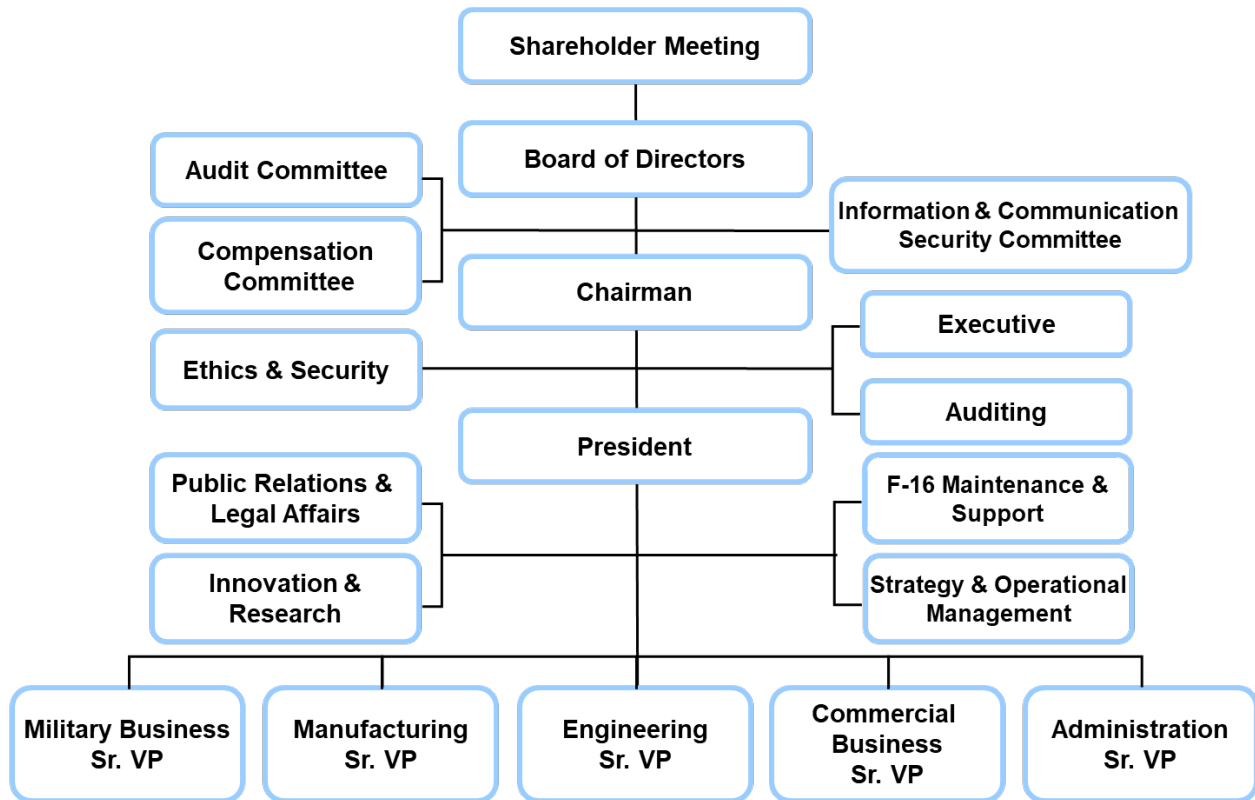
Year	Milestones
2013	1. Received the Boeing "Performance Excellence Award" and GE Growth (Engines) Excellence Award. 2. Approved for privatization by the Executive Yuan through public offering of stocks on September 13.
2014	1. AIDC became a private company on August 21 and was listed on TWSE for trading on August 25. 2. Delivery of the parts and components for the first MRJ, an important milestone of the project. 3. Received the "Supplier of the Year Award" from Sikorsky Aircraft United Technologies Corp., the "Supplier Excellence Award 2014" from American Helicopter Society, and the "Performance Excellence Award" from the Boeing Company. 4. Delivery of the 10,000th Rolls-Royce engine case.
2015	1. Delivery of the 300th S-92 cockpit made in Shalu Complex in April. 2. Received "Award of the Year 2015 for Best Partner" from Mitsubishi Aircraft Corporation in December. 3. Organized Taiwan Aviation Industry Forum in December which paved the way for Taiwan Aerospace A-Team to become a major supply chain of global aerospace industry.
2016	1. Set up the US subsidiary, AIDC USA LLC, on March 2, 2016. 2. Grand opening of 3 new facilities: ECMC in April, TACC-19 in July and GE LEAP Caseline in November. 3. Delivery of the 1,000th Airbus A321 16A barrel in February; delivery of the 50,000th GE Engine Case in November.
2017	1. Grand opening of the new #23 military maintenance building in February. 2. Signed the Advanced Jet Trainer Commission Agreement with National Chung Shan Institute of Science and Technology in April. 3. AIDC transferred the ITEC LLC equity it held to its subsidiary, AIDC USA LLC in April, and the transfer amount was deemed as capital injection to AIDC USA LLC. 4. AIDC and Cheng Kung University delivered the Upgraded Tracker Thermal Pump System Flight Radiator in November. 5. Completed delivery of F-CK-1 C/D to ROCAF in December.
2018	1. Held the debut of self-branded aircraft seat in March, aiming to integrate the domestic supply chain for entrance into the international civil aviation market. 2. AIDC launched assembly of the Advanced Jet Trainer in June. 3. Completed the upgrade of "F-CK-1 C/D, Hsiang Sheng" single- and twin-seat prototype jets and delivered to ROCAF in October. 4. AIDC was presented "Smart Machinery Golden Award" by the Industrial Development Bureau (IDB), under the Ministry of Economic Affairs in November, and announced 2019 as the Year of SPEED.

Year	Milestones
2019	1. Awarded the Letter of Design Approval (LODA) for AIDC Brand 16G Commercial Airlines Seats by the Federal Aviation Administration (FAA) of the United States in August. 2. Held the Advanced Jet Trainer Rollout Ceremony in September. 3. Signed Cooperation Memorandum of Intent with China Airlines for a New Pattern of Aviation Maintenance in November. 4. Signed Strategic Alliance MOU with Lockheed Martin Corporation in December.
2020	1. The Advanced Jet Trainer has successfully launched its inaugural flight in June. 2. AIDC set up the F-16 Maintenance & Support Department in August.
2021	Chairman Hu Kai-Hung personally co-flied the AJT (Advanced Jet Trainer) to show the Company's determination in delivering high performance jet trainers. The first delivery was made in March 2021, and the 2nd shipset followed in December.
2022	1. Signed an agreement to extend cooperation with GE in gas turbine generators for three years in September. 2. Signed a MOU with GE for the localization of repair and hydrogen-enriched power generation applications of aeroderivative gas turbine generator in October. 3. Held the "F-16 Maintenance & Support Center Presentation" on November 1 and President Tsai Ing-wen personally attended the event. 4. Established the subsidiary Hsiang Yuan Co., Ltd. on December 21. 5. A total of 100 fighter jets were delivered under the F-16A/B Upgrade Program and 10 new advanced jet trainers were delivered in December.

Chapter 3. Corporate Governance Report

I. Organization

Organization Chart



The defense business system is responsible for military aircraft, aircraft maintenance and avionics, flight service and GO-CO program operation.

The production system is responsible for aero engine parts and component fabrication, assembly, testing, after-sale service, and aero engine business operation.

The engineering system is responsible for engineering design and system integration, quality improvement, quality insurance policy, information technology and services, procurement, supplier integration, outsourcing, and raw materials storage.

The civil aviation system is responsible for the commercial aircraft market analysis, business strategy and development, operations and production, program performance management, technology implementation, and labor safety.

The administration system is responsible for the planning and implementation of the finance, accounting, human resources, general affairs, environmental protection, and investee businesses.

II. Information on directors, president, and vice presidents

(I) Directors (I)

March 31, 2023 / Unit: Share; %

Title	Nationality /Place of Incorporation	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position Concurrently Held at the Company Or Other Companies	Executives, Directors or Supervisors Who are Spouses or Within the Second Degree of Kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C.	Ministry of Economic Affairs (Note 1)	-	2021/08/13	3 years	1996/07/01	331,301,773	35.17	331,301,773	35.17 (Note 2)	-	-	-	-	-	-	-	-	-	-
	R.O.C.	Representative: Hu, Kai-Hung	Male 60~69	2021/08/13	3 years	2019/03/18	0	0.00	70,000	0.01	0	0	0	0	Vice Chief of the General Staff, Ministry of National Defense (MND) Inspector General, MND Vice Commander-in-Chief, Air Force Command Commander, Air Force Education, Training and Doctrine Development Command Deputy Chief of Staff, Air Force Command Director, Combat Readiness and Training Division, Air Force Command Wing Commander, the 427th Tactical Fighter Wing Vice Chairman, Taiwan Defense Industry Development Association Supervisor, Aeronautical and Astronautical Society of the Republic of China Joint Force Education, National Defense University General Staff College of National Defense University Class of 1981, Air Force Academy	Chairman of AIDC Director, Industrial Technology Research Institute Chairman, Taiwan Aerospace Industry Association	-	-	-	-
Executive Director	R.O.C.	Ministry of Economic Affairs	-	2021/08/13	3 years	1996/07/01	0	0.00	331,301,773	35.17	-	-	-	-	-	-	-	-	-	-
	R.O.C.	Representative: Ma, Wan-June	Male 60~69	2021/08/13	3 years	2019/03/18	0	0.00	0	0.00	0	0	0	0	Vice President, National Chung-Shan Institute of Science and Technology (NCSIST) Director of Aeronautical Systems Research Division, NCSIST Associate Director, Systems Development Center, NCSIST; Principal Investigator, Systems Development Center, NCSIST Ph.D. in Power Mechanical Engineering, National Tsing Hua University Master in Mechanical Engineering, National Central University B.S. in Aeronautics and Astronautics, National Cheng Kung University	President of AIDC Director, Metal Industries Research & Development Centre	-	-	-	-

Title	Nationality /Place of Incorporation	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position Concurrently Held at the Company Or Other Companies	Executives, Directors or Supervisors Who are Spouses or Within the Second Degree of Kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	R.O.C.	Ministry of Economic Affairs	-	2021/08/13	3 years	1996/07/01	0	0.00	331,301,773	35.17	-	-	-	-	-	-	-	-	-	-
	R.O.C.	Representative: Liou, Ming- Jong	Male 60~69	2021/08/13	3 years	2019/10/01	0	0.00	0	0.00	0	0	0	0	Director, Ministry of Economic Affairs Standards Inspection Bureau Counselor, Ministry of Economic Affairs Director, State-owned Enterprise Commission Affairs, MOEA Director, China Steel Corporation Director and Acting Chairman, Tang Eng Iron Works Co., Ltd. Director, CSBC Corporation Director, Vanguard International Semiconductor Corporation Director, RSEA Engineering Corporation Director, Taiwan Aerospace Corporation Director, Hui Ju Investment Corporation Supervisor, Taiwan Water Corporation Supervisor, CTCI Foundation Member, Yaohua Glass Corporation Management Board Ph.D., Industrial Management, Taiwan Technical University Taiwan M.S., Operation Research, Stanford University U.S.A B.S., Chemical Engineering, National Taiwan University, Taiwan	Director, State-owned Enterprise Commission Affairs, MOEA Director, China Steel Corporation	-	-	-	-
Director	R.O.C.	Ministry of Economic Affairs	-	2021/08/13	3 years	1996/07/01	0	0.00	331,301,773	35.17	-	-	-	-	-	-	-	-	-	-
	R.O.C.	Representative: Chang, Ming- Pin	Male 50~59	2021/08/13	3 years	2018/06/26	0	0.00	0	0.00	0	0	0	0	Vice Executive Secretary and Spokesperson, Investment Commission, MOEA Commissioner, Review Committee, National Development Fund, Executive Yuan Member, Examination Committee for Establishment Application of Business Entity in the Economic Processing Zone Master of Laws, Edinburgh University (Scotland) Bachelor of Laws, National Taiwan University Executive Leadership Program, Harvard University (USA)	Executive Secretary, Investment Commission, MOEA; Director General, DOIS, MOEA CEO, Invest Taiwan Services Center, MOEA Director, Kuo Kuang Power Co., Ltd.	-	-	-	-

Title	Nationality /Place of Incorporation	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position Concurrently Held at the Company Or Other Companies	Executives, Directors or Supervisors Who are Spouses or Within the Second Degree of Kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	R.O.C.	Ministry of Economic Affairs		2021/08/13	3 years	1996/07/01	0	0.00	331,301,773	35.17	-	-	-	-	-	-	-	-	-	-
	R.O.C.	Representative: Shieu, Fuh- Sheng	Male 60~69	2021/08/13	3 years	2016/07/22	0	0.00	0	0.00	0	0	0	0	Distinguished professor, Department of Materials Science and Engineering, NCHU Dean, College of Engineering, NCHU; Chairman, Department of Materials Science and Engineering, NCHU; Chairman, Institute of Materials Engineering, NCHU; Director, Office of R&D, NCHU Director, Office of the National Human Resource Development Program for Nanoscience and Nanotechnology Director, Division of Materials Engineering, National Science Council Member, Presidential Science Prize Committee Member, Talent Cultivation Division, Selection Team, Presidential Innovation Award Host, Popular Science Education Seminar, Department of International Cooperation and Science Education, National Science and Technology Council Chairman, Foundation of College Entrance Examination Center Chairman, Taiwan Industrial Technology Association President, Academia-Industry Consortium for Central Taiwan Science Park Master and Ph.D. in Materials Science and Engineering, Cornell University B. S. in Materials Science and Engineering, Tsing Hua University, Hsinchu, Taiwan	President, National Chung Hsing University (NCHU) Supervisor, Industrial Technology Research Institute	-	-	-	-
Director	R.O.C.	Ministry of Economic Affairs	-	2021/08/13	3 years	1996/07/01	0	0.00	331,301,773	35.17	-	-	-	-	-	-	-	-	-	-
	R.O.C.	Representative: Hsiao, Mu-Lai	Male 50~59	2021/12/23	2 years 8 months	2021/12/23	0	0.00	10,028	0.001	0	0	0	0	Member of Labor Mediation Committee, Taichung District Court Chairman, Taiwan Aerospace Technology Association Executive Director, Taiwan Machinery Labor Union (T.P.M.L.U) Director, Aerospace Industrial Development Corporation Labor Union Director, Taiwan Machinery Labor Union (T.P.M.L.U)	Quality Assurance Engineer, AIDC Chairman, Aerospace Industrial Development Corporation Labor Union in Taichung	-	-	-	-

Title	Nationality /Place of Incorporation	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position Concurrently Held at the Company Or Other Companies	Executives, Directors or Supervisors Who are Spouses or Within the Second Degree of Kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
															Director, Aerospace Industrial Development Corporation Labor Union B.S. in Industrial Engineering, Feng Chia University					
Director	R.O.C.	Ministry of Economic Affairs	-	2021/08/13	3 years	1996/07/01	0	0.00	331,301,773	35.17	-	-	-	-	-	-	-	-	-	-
	R.O.C.	Representative: Lee, Ming-Li	Male 50~59	2021/08/13	3 years	2021/08/13	0	0.00	52	0.00	0	0	0	0	Leader of the wire harness workshop and acting leader of accessory repair workshop, Factory of Aircraft Maintenance, Department of Aircraft Maintenance & Avionics, AIDC Director, Aerospace Industrial Development Corporation Labor Union B.S. in Information Management, Ling Tung University, Taiwan	Leader, factory of Aircraft Maintenance, Department of Aircraft Maintenance & Avionics, AIDC	-	-	-	-
Director	R.O.C.	National Defense Industrial Development Foundation (NDIDF) (Note 1)	-	2021/08/13	3 years	2014/04/03	11,063,201	1.17	11,063,201	1.17	-	-	-	-	-	-	-	-	-	-
	R.O.C.	Representative: Cheng Jung-Feng (Note 3)	Male 50~59	2022/07/08	2 years 1 month	2022/07/08	0	0.00	0	0.00	0	0	0	0	Deputy Chief of Staff, General Staff Headquarter, Ministry of National Defense (MND) Deputy Commander, Chief of Staff, and Director of Political Warfare Office, Air Force Command Commander, Air Force Combatant Command Deputy Chief of Staff and Director of Combat Readiness and Training Division, Air Force Command Master in Political Science, National Taiwan University Class of 2009, War College, National Defense University; Class of 1985, Air Force Academy	Deputy Chief of Staff (Executive), General Staff Headquarter, Ministry of National Defense (MND)	-	-	-	-
Executive and Independent Director	R.O.C.	Chan, Chia-Chang	Male 60~69	2021/08/13	3 years	2018/06/26	0	0.00	0	0.00	0	0	0	0	Chief Secretary, Chair of Department of Finance, Director of Extension Education Center, Dean of College of Management, Tunghai University Independent Director, Ginko International Co., Ltd. Director, Department of Finance, Providence University Commissioner, Financial Planning Association	Vice President and Professor of Finance Department, Tunghai University Independent Director, Mobiletron	-	-	-	-

Title	Nationality /Place of Incorporation	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position Concurrently Held at the Company Or Other Companies	Executives, Directors or Supervisors Who are Spouses or Within the Second Degree of Kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
														of Taiwan Director, Association of Continuing Education of Colleges and Universities in Taiwan Ph.D. in Business Administration, National Sun Yat-Sen University	Group					
Independent Director	R.O.C.	Chen, Yin-Chin	Female 60~69	2021/08/13	3 years	2018/06/26	0	0.00	0	0.00	0	0	0	0	Director and Associate Professor of the Department of Financial and Economic Law, Chung Yuan Christian University Associate Professor, Department of Public Finance and Taxation, Takming University of Science and Technology Commissioner, Fair Trade Commission; Commissioner, Complaint Review Board for Government Procurement, Public Construction Commission Executive Yuan; Advisory, Department of Nuclear Regulation, Atomic Energy Council Member, International Trade Commission, Ministry of Economic Affairs Member, Advisory Committee on Handling of State Compensation Cases, Ministry of National Defense; Commissioner, Complaint Review Board for Government Procurement, Taoyuan City Government; Commissioner, Medical Review Board, Health Bureau Member, Advisory Committee on Handling of State Compensation Cases, Taipei City Government Member, Management Board of Nuclear Emergency Response Fund, Executive Yuan Member, Appeals Review Committee, Ministry of Transportation and Communications Member, Advisory Committee on Handling of State Compensation Cases, Army Command Headquarters Commissioner, Listing Review Committee, Taiwan Stock Exchange Corporation Commissioner, Mainboard Listing Review Committee of Taipei Exchange (GreTai Securities Market); Supervisor, Andes Technology Corporation (Representative of the National Development Fund, Executive Yuan) Supervisor, Light's American Sportscopter Inc. (Representative of the National Development Fund, Executive Yuan)	Associate Professor, Department of Financial and Economic Law, Chung Yuan Christian University Adjunct Associate Professor, Tainan University of Technology Adjunct Associate Professor, Shih Chien University	-	-	-	-

Title	Nationality /Place of Incorporation	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position Concurrently Held at the Company Or Other Companies	Executives, Directors or Supervisors Who are Spouses or Within the Second Degree of Kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
														Director, CSBC CORP., Taiwan (Representative of MOEA) Ph. D of Laws, National Chung Hsing University						
Independent Director	R.O.C.	Lien, Li-Jen	Male 50~59	2021/08/13	3 years	2019/05/31	0	0.00	0	0.00	0	0	0	0	Attorney-at-law (passed the bar exam in 1990) Councilor, Kaohsiung City Council Litigation Agent, Taiwan Land Bank Legal Adviser, Kaohsiung City Council and Kaohsiung County Government Chairman, Branch in Kaohsiung and Pingtung County, Consumer's Foundation Chinese Taipei Legal Adviser, Labor Union of Kaohsiung City Honorary Legal Adviser, Small and Medium Enterprise Administration, Ministry of Economic Affairs Manager, Jihe Entertainment Co., Ltd. Master in Political Science, National Sun Yat-sen University Bachelor of Laws, National Chung Hsing University (now National Taipei University)	Lawyer, Gongxin United Law Firm Independent Director, Bank of Kaohsiung	-	-	-	-

Note 1: Names of institutional shareholders and representatives are listed in Table 1 and Table 2.

Note3:The Audit Committee is established according to the Articles of Incorporation of AIDC.

Note 2: The Ministry of Economic Affairs holds 35.175% of shares, rounded down to 35.17%.

Note 4: NDIDF representative changes: Cheng, Jung-Feng replaced Mei, Chia-Shu on July 8, 2022.

Table 1: Major Shareholders

March 31, 2023

Name of Institutional Shareholder (Note 1)	Major Shareholders
Ministry of Economic Affairs	N/A
National Defense Industrial Development Foundation (NDIDF)	Executive Yuan (100%)

Note 1: The names of the institutional shareholders shall be listed for directors and supervisors who are representatives of institutional shareholders.

Note 2: Fill in the names of the major institutional shareholders (with shareholding percentages ranking in the top ten) and their shareholding percentage. If the major shareholder is a legal person, then fill in Table 2 below.

Note 3: Institutional shareholders that are not corporate, shall disclose the major shareholders and shares, that is to disclose the sponsors name and donation ratio.

Table 2: Major shareholders in Table 1 are major shareholders of institutional shareholders

March 31, 2023

Name of Institutional Shareholder (Note 1)	Major Shareholders (Note 2)
Executive Yuan	N/A

Note 1: If the major shareholder in the above table is a legal person, fill in the name of the legal person.

Note 2: Fill in the names of the major shareholders (with shareholding percentages ranking in the top ten) of the institutions and their shareholding percentage.

Note 3: Institutional shareholders that are not corporate, shall disclose the major shareholders and shares, that is to disclose the sponsors name and donation ratio.

(I) Directors (II)

1. Disclosure of information on the professional qualifications of directors and independence of independent directors:

March 31, 2023

Name \ Criteria	Professional Qualifications and Experiences	Independence	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
Hu, Kai-Hung, Chairman	Expertise: Board of Directors; business administration; aerospace industry; government & supervision; risk management Education: Joint Force Education, National Defense University; General Staff College, National Defense University; Air Force Academy Current Position: Chairman of AIDC Work experiences: Held important positions in the domestic aerospace industry and public sector, such as Vice Chief of the General Staff, Ministry of National Defense(MND); Inspector General, MND; Vice Commander-in-Chief, Air Force Command; Commander, Air Force Education, Training and Doctrine Development Command; Deputy Chief of Staff, Air Force Command; Director, Combat Readiness and Training Division, Air Force Command; Wing Commander, the 427th Tactical Fighter Wing, Air Force; Supervisor, Taiwan Aerospace Industry Association. Currently holds the position of Director, Industrial Technology Research Institute; Chairman, Taiwan Aerospace Industry Association; Vice Chairman, Taiwan Defense Industry Development Association.	Chairman Hu is the representative of institutional director Ministry of Economic Affairs, and is also a natural person shareholder of the Company. Chairman Hu is not an independent director. All others meet independence requirements set forth in Article 3, Paragraph 1 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.	0
Executive Director – Ma, Wan-June	Expertise: Board of Directors; business administration; aerospace industry; government & supervision; risk management Education: Ph.D. in Power Mechanical Engineering, National Tsing Hua University; Master in Mechanical Engineering, National Central University; B.S. in Aeronautics and Astronautics, National Cheng Kung University Current Position: President of AIDC Work experiences: Held important positions in the domestic aerospace industry, government, and research institutes, such as Vice President, National Chung-Shan Institute of Science and Technology(NCSIST); Director, Aeronautical Systems Research Division, NCSIST; Deputy Director, Systems Development Center, NCSIST; Principal Investigator, Systems Development Center, NCSIST. Currently holds the position of Director, Metal Industries Research & Development	Executive Director Ma is the Company's president and the representative of institutional director Ministry of Economic Affairs. Executive Director Ma is not an independent director. All others meet independence requirements set forth in Article 3, Paragraph 1 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.	0

Name \ Criteria	Professional Qualifications and Experiences	Independence	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
	Centre; Standing Director, Taiwan Aerospace Industry Association.		
Director – Liou, Ming-Jong	Expertise: Board of Directors; business administration; government & supervision; risk management Education: Ph.D., Industrial Management, National Taiwan University of Science and Technology; M.S., Operation Research, Stanford University; B.S., Chemical Engineering, National Taiwan University Current Position: Director, State-owned Enterprise Commission Affairs, MOEA Work experiences: Held important positions in domestic industry and government, such as: Director, Ministry of Economic Affairs Standards Inspection Bureau; Counselor, Ministry of Economic Affairs; Director, China Steel Corporation; Director, Tang Eng Iron Works Co., Ltd.; Director, CSBC Corporation; Director, Vanguard International Semiconductor Corporation; Director, RSEA Engineering Corporation. Concurrently holds the position of Director, China Steel Corporation.	Director Liu is the representative of institutional director Ministry of Economic Affairs and not an independent director. Director Liu holds a position in a supervisory agency of the Ministry of Economic Affairs. All others meet independence requirements set forth in Article 3, Paragraph 1 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.	0
Director – Chang, Ming-Pin	Expertise: Board of Directors; business administration; government & supervision; law; risk management Education: Master of Laws, Edinburgh University (Scotland); Bachelor of Laws, National Taiwan University Current Position: Executive Secretary, Investment Commission, MOEA; Director General, DOIS, MOEA Work experiences: Held important positions in domestic industry, government, and legal field, such as: Vice Executive Secretary and Spokesperson, Investment Commission, MOEA; Member, Review Committee, National Development Fund, Executive Yuan; Member, Examination Committee for Establishment Application of Business Entity in the Economic Processing Zone, MOEA. Currently holds the position of CEO, Invest Taiwan Services Center, MOEA; Director, Kuo Kuang Power Co., Ltd.	Director Chang is a representative of institutional director Ministry of Economic Affairs and not an independent director. Director Chang holds a position in a supervisory agency of the Ministry of Economic Affairs. All others meet independence requirements set forth in Article 3, Paragraph 1 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.	0
Director – Shieu, Fuh-Sheng	Expertise: Board of Directors; business administration; aerospace industry; government & supervision; risk management Education: Master and Ph.D. in Materials Science and Engineering, Cornell University; Bachelor in Materials Science and Engineering, Tsing Hua University Current Position: President, National Chung Hsing University (NCHU); Distinguished Professor, Department of Materials Science and Engineering, NCHU	Director Shieu is a representative of institutional director Ministry of Economic Affairs and not an independent director. All others meet independence requirements set forth in Article 3, Paragraph 1 of the Regulations	0

Name \ Criteria	Professional Qualifications and Experiences	Independence	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
	Work experiences: Held important positions in the domestic aerospace industry, government, academia, and research institutes, such as: Dean, College of Engineering, NCHU; Dean, Office of R&D, NCHU; Director, Department of Materials Science and Engineering, NCHU; Director, Office of the National Human Resource Development Program for Nanoscience and Nanotechnology; Director, Division of Materials Engineering, National Science Council. Currently holds the position of Supervisor, Industrial Technology Research Institute.	Governing Appointment of Independent Directors and Compliance Matters for Public Companies.	
Director – Hsiao, Mu-Lai	Expertise: Board of Directors; business administration; aerospace industry; government & supervision; risk management Education: B.S. in Industrial Engineering, Feng Chia University Current Position: Quality Assurance Engineer, AIDC; Chairman, Aerospace Industrial Development Corporation Labor Union in Taichung Work experiences: Held important positions in the domestic aerospace industry, such as: Chairman, Aerospace Industrial Development Corporation Labor Union in Taichung; Director, Taiwan Machinery Labor Union (T.P.M.L.U), Director, Aerospace Industrial Development Corporation Labor Union. Currently holds the position of Member, Labor Mediation Committee, Taichung District Court; Chairman, Taiwan Aerospace Technology Association; Executive director of Taiwan Machinery Labor Union (T.P.M.L.U).	Director Hsiao is the representative of institutional director Ministry of Economic Affairs, and is also an employee and natural person shareholder of the Company. Director Hsiao is not an independent director. All others meet independence requirements set forth in Article 3, Paragraph 1 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.	0
Director – Lee, Ming-Li	Expertise: Board of Directors; aerospace industry; government & supervision; risk management Education: B.S. in Information Management, Ling Tung University, Taiwan Current Position: Leader, factory of Aircraft Maintenance, Department of Aircraft Maintenance & Avionics, AIDC Work experiences: Held important positions in the domestic aerospace industry, such as: Leader of the wire harness workshop and acting leader of accessory repair workshop, Factory of Aircraft Maintenance, Department of Aircraft Maintenance & Avionics, AIDC; concurrently holds the position of Director, Aerospace Industrial Development Corporation Labor Union in Taichung.	Director Lee is a representative of institutional director Ministry of Economic Affairs, and is also an employee and natural person shareholder of the Company. Director Lee is not an independent director. All others meet independence requirements set forth in Article 3, Paragraph 1 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.	0
Director – Cheng, Jung-Feng	Expertise: Board of Directors; business administration; aerospace industry; government & supervision; risk management	Director Cheng is a representative of institutional director National Defense	0

Name \ Criteria	Professional Qualifications and Experiences	Independence	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
	Education: Master in Political Science, National Taiwan University; War College, National Defense University; Air Force Academy Current Position: Deputy Chief of Staff (Executive), General Staff Headquarter, Ministry of National Defense (MND) Work experiences: Held important positions in the domestic aerospace industry and government, such as: Vice Commander-in-Chief, Air Force Command; Chief of Staff, Air Force Command; Commander, Air Force Combatant Command, MND; Director, Political Warfare Department, Air Force Command; Deputy Chief of Staff and Director, Combat Readiness and Training Division.	Industrial Development Foundation and not an independent director. Director Cheng holds a position in a national security agency of the MND. All others meet independence requirements set forth in Article 3, Paragraph 1 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.	
Executive and Independent Director – Chan, Chia-Chang	Expertise: Board of Directors; Chair of Remuneration Committee; member of Audit Committee; member of Information & Communication Security Committee; business administration; finance and accounting; risk management Education: Ph.D. in Business Administration, National Sun Yat-Sen University Current Position: Professor, Finance Department, Tunghai University since February 2002; Vice President, Tunghai University since August 2016 Work experiences: Specializes in finance and served as a professor of the Finance Department for more than 17 years since February 2006. Held important positions in domestic industry and academia, such as: Independent Director, Ginko International Co., Ltd.; Chief Secretary, Director of the Department of Finance, Director of Extension Education Center, and Dean of College of Management, Tunghai University; Director, Department of Finance, Providence University; Member, Education and Training Committee, Financial Planning Association of Taiwan; Director, Association of Continuing Education of Colleges and Universities in Taiwan. Currently holds the position of Independent Director, Mobiletron Group. The company searched the judicial information retrieval system of the Judicial Yuan, the Taiwan Clearing House, etc., and found no conditions specified in Article 30 of the Company Act.	The Company handles matters in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies. Aside from the written statement from Independent Director Chan, Chia-Chang, the Company also checked the Company's employee system for shares of the Company held by the independent director, spouse, and relatives within the second degree of kinship, list of directors of affiliates, list of the Company's shareholders, and checked the financial system for remuneration paid for commercial, legal, financial, and accounting services provided to the Company or affiliates in the past 2 years. The Company verified the independent director's independence based on audit results.	1
Independent Director – Chen, Yin-Chin	Expertise: Board of Directors; Chair of Audit Committee; member of Remuneration Committee; member of Information & Communication Security Committee; business administration;	The Company handles matters in accordance with the Regulations Governing Appointment of	0

Name \ Criteria	Professional Qualifications and Experiences	Independence	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
	Education: government & supervision; law; risk management Ph. D of Laws, National Chung Hsing University Current Position: Associate Professor, Department of Financial and Economic Law, Chung Yuan Christian University; Associate Professor, Tainan University of Technology; Associate Professor, Shih Chien University Work experiences: Professor of financial and economic law (has taught financial and economic law for more than 28 years since 1995). Chair of Department of Financial and Economic Law, Chung Yuan Christian University; Associate Professor, Department of Public Finance and Taxation, Takming University of Science and Technology; Supervisor, Andes Technology Corporation (Representative of National Development Fund, Executive Yuan); Supervisor, Light's American Sportscopter Inc. (Representative of National Development Fund , Executive Yuan); Director, CSBC CORP., Taiwan (Representative of MOEA); Commissioner, Fair Trade Commission; Commissioner, Complaint Review Board for Government Procurement, Public Construction Commission Executive Yuan; Advisory, Department of Nuclear Regulation, Atomic Energy Council; Advisory, Advisory Committee on Handling of State Compensation Cases, Atomic Energy Council; Commissioner, Complaint Review Board for Government Procurement, Taoyuan City Government; Commissioner, Medical Review Board, Health Bureau; Commissioner, Laws and Regulations Committee, MOEA; Commissioner, International Trade Commission, MOEA; Commissioner, Complaint Review Board, Ministry of National Defense; Advisory, Advisory Committee on Handling of State Compensation Cases, Ministry of National Defense; Advisory, Advisory Committee on Handling of State Compensation Cases, Army Command Headquarters; Advisory, Advisory Committee on Handling of State Compensation Cases, Taipei City Government; Commissioner, Listing Review Committee of Taiwan Stock Exchange Corporation; Commissioner, Mainboard Listing Review Committee of Taipei Exchange (GreTai Securities Market) The company searched the judicial information retrieval system of the Judicial Yuan, the Taiwan Clearing House, etc., and found no conditions specified in Article 30 of the Company Act.	Independent Directors and Compliance Matters for Public Companies. Aside from the written statement from Independent Director Chen, Yin-Chin, the Company also checked the Company's employee system for shares of the Company held by the independent director, spouse, and relatives within the second degree of kinship, list of directors of affiliates, list of the Company's shareholders, and checked the financial system for remuneration paid for commercial, legal, financial, and accounting services provided to the Company or affiliates in the past 2 years. The Company verified the independent director's independence based on audit results.	

Name \ Criteria	Professional Qualifications and Experiences		Independence	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
Independent Director – Lien, Li-Jen	Expertise: Board of Directors; Chair of Information & Communication Security Committee; member of Audit Committee; member of Remuneration Committee; business administration; government and supervision; law; risk management. Education: Master in Political Science, National Sun Yat-sen University, Taiwan; Bachelor of Laws, National Chung Hsing University Current Position: Lawyer, Gongxin United Law Firm 2018/8 to present day Work experiences: Has an expertise in law, passed the higher examination in 1990, obtained a lawyer's certificate in 1991, and practiced the law since August 2018. Councilor, Kaohsiung City Council; Litigation Agent of Taiwan Land Bank; Legal Adviser, Kaohsiung City Council and Kaohsiung County Government; Chairman, Branch in Kaohsiung and Pingtung County, Consumer's Foundation Chinese Taipei; Legal Adviser, Labor Union of Kaohsiung City; Honorary Legal Adviser, Small and Medium Enterprise Administration, Ministry of Economic Affairs; Manager, Jihe Entertainment Co., Ltd. The company searched the judicial information retrieval system of the Judicial Yuan, the Taiwan Clearing House, etc., and found no conditions specified in Article 30 of the Company Act.		The Company handles matters in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies. Aside from the written statement from Independent Director Lien, Li-Jen, the Company also checked the Company's employee system for shares of the Company held by the independent director, spouse, and relatives within the second degree of kinship, list of directors of affiliates, list of the Company's shareholders, and checked the financial system for remuneration paid for commercial, legal, financial, and accounting services provided to the Company or affiliates in the past 2 years. The Company verified the independent director's independence based on audit results.	1

Note 1: The Company's directors do not have any of the conditions specified in Article 30 of the Company Act.

Note 2: Please refer to II. (I) Directors in this chapter or the company website for the experience (education) of the Company's directors <https://www.aidc.com.tw/tw/investor/governance/board>.

2. Board Diversity and Independence

(1) Attainment of management goals of the Board diversity policy

I. Diversity policy:

Pursuant to AIDC's Corporate Governance Guidelines, the composition of the board of directors shall be determined by taking diversity into consideration, and that an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs be formulated. In addition, the AIDC's Procedures for Election of Directors indicated the members of the board of directors shall have the knowledge, skills, and experience necessary to perform their duties and shall possess the abilities to make operational judgments, perform accounting and financial analysis, management ability (including supervision of subsidiary management), crisis management ability, knowledge of the industry, an international perspective, ability to lead, and ability to make

policy decisions.

II. Specific management goals:

The Company's Board of Directors shall be accountable to the shareholders' meeting, and operations and arrangements of the corporate governance system shall ensure that the Board of Directors exercises its functions and powers in accordance with the law, Articles of Incorporation, or the resolutions of the shareholders' meeting. The board diversity goals are as follow: 1. Female director (at least 1 seat), 2. Independent directors shall serve no more than three consecutive terms, 3. Labor union representative (at least 2 seats), 4. No more than one third of the Company's directors shall be concurrently held by managers of the Company, 5. The professional background of members should include business administration, aerospace industry, financial accounting, law, risk management, and government & supervision.

III. Attainment of diversity management goals:

Female director (at least 1 seat): Achieved

Labor union representative (at least 2 seats): Achieved

Independent directors shall serve no more than three consecutive terms: Achieved

No more than one third of the Company's directors shall be concurrently held by managers of the Company: Achieved

Names of core members for diversity	Basic composition						Industry experience			Professional competence		
	Title	Gender	Nationality	Age		Has employee status	Business administration	Aerospace industry	Government & supervision	Finance and accounting	Law	Risk management
				50-59	60-69							
MOEA Representative: Hu, Kai-Hung	Chairman	Male	R.O.C.		v		v	v	v			v
MOEA Representative: Ma, Wan-June	Executive Director	Male	R.O.C.		v	v	v	v	v			v
MOEA Representative: Liou, Ming-Jong	Director	Male	R.O.C.		v		v		v			v
MOEA Representative: Chang, Ming-Pin	Director	Male	R.O.C.	v			v		v		v	v
MOEA Representative: Shieu, Fuh-Sheng	Director	Male	R.O.C.		v		v	v	v			v
MOEA Representative: Hsiao, Mu-Lai	Director	Male	R.O.C.	v		v	v	v	v			v
MOEA Representative: Lee, Ming-Li	Director	Male	R.O.C.	v		v		v	v			v
NDIDF representative: Cheng Jung-Feng	Director	Male	R.O.C.	v			v	v	v			v
Chan, Chia-Chang	Executive and Independent Director	Male	R.O.C.		v		v			v		v
Chen, Yin-Chin	Independent Director	Female	R.O.C.		v		v		v		v	v
Lien, Li-Jen	Independent Director	Male	R.O.C.	v			v		v		v	v

Note 1: Please refer to II. (I) Directors in this chapter or the company website for the experience (education) of directors.

The Company has 1 female director (9.09%) who is an independent director and 10 male directors (90.91%); 3 directors (27.27%) are also employees (1 manager and 2 labor union

representatives).

The average age of all directors is 60.5 years old (5 directors are 50-59 years old and 6 directors are 60-69 years old). The Company attaches importance to corporate governance and the diversity of Board members, and continues to dedicate its efforts to achieve goals set in the Corporate Governance 3.0 -Sustainable Development Roadmap.

Note 2: The Company's directors have the abilities to perform their duties as a director, and directors with an expertise in business judgment, business administration, crisis management, and leadership and decision-making include Chairman Hu, Executive Director Ma, Director Liu, Director Chang, Director Shieu, Director Hsiao, Director Cheng, Executive and Independent Director Chan, Independent Director Chen, and Independent Director Lien. Directors with an expertise in the aerospace industry and have an international market perspective include Chairman Hu, Executive Director Ma, Director Shieu, Director Hsiao, Director Lee, and Director Cheng. Executive and Independent Director Chan is an expert in accounting. Director Chang, Independent Director Chen, and Independent Director Lien are legal experts. Directors have held important positions in industry, government, academia, research institutes, and law firms. For example, Chairman Hu was formerly the Vice Chief of the General Staff, Ministry of National Defense (MND); Executive Director Ma was formerly the Vice President, National Chung-Shan Institute of Science and Technology (NCSIST) and is currently the president of AIDC; Director Liu is currently the Director of the State-owned Enterprise Commission Affairs, MOEA; Director Chang is currently the Executive Secretary of the Investment Commission, MOEA; Director General, DOIS, MOEA; Director Cheng is currently the Deputy Chief of Staff (Executive), General Staff Headquarter, Ministry of National Defense (MND). Representatives of academia include Director Shieu, who is the president of National Chung Hsing University, Executive and Independent Director Chang, who is the vice president of Tunghai University, and Independent Director Chen, who is an associate professor at the Department of Financial and Economic Law of Chung Yuan Christian University. Independent Director Lien is currently a practicing lawyer. Furthermore, Independent Director Lien, Executive and Independent Director Chan, and Director Liu concurrently hold the position of independent director at other financial institutions or director at other public companies.

The Company's board members have diverse and complementing expertise and experience.

(2) Independence of the Board

- I. The company has 11 directors (including 3 independent directors accounting for 27%) elected in the 2021 Annual General Meeting. The Board of Directors has 3 executive directors, in which 1 executive director is an independent director (accounts for 33%). Independent directors that have held the position for consecutive terms include Executive and Independent Director Chan for 4.7 years, Independent Director Chen for 4.7 years, and Independent Director Lien for 3.8 years. None of the independent directors has served more than three consecutive terms.
- II. None of the members of the Company's Board of Directors are spouses or within relatives with two degrees of kinship, and there are no conditions stipulated in Article 26-3, Paragraphs 3 and 4 of the Securities and Exchange Act.

(II) President, Vice Presidents, and Managers of Departments and Branches

December 31, 2022 / Unit: Share; %

Title	Nationality	Name	Gender	Date Elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Managers Who are Spouses or Within the Second Degree of Kinship			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President	R.O.C.	Ma, Wan-June	Male	2019.03.18	0	-	-	-	-	-	Vice President, National Chung-Shan Institute of Science and Technology(NCSIST); Vice President and Director of Aeronautical Systems Research Division, NCSIST Director, Aeronautical Systems Research Division, NCSIST; Associate Director, Systems Development Center, NCSIST; Principal Investigator, Systems Development Center, NCSIST; Ph.D. in Power Mechanical Engineering, National Tsing Hua University; Master in Mechanical Engineering, National Central University; B.S. in Aeronautics and Astronautics, National Cheng Kung University	23rd-term Director, Metal Industries Research & Development Centre	-	-	-	-
Vice President	R.O.C.	Tseng, Kuo-Yi	Male	2021.11.5	76,367	-	-	-	-	-	Director, Flight Safety; Director, Quality Assurance; Director, Manufacturing; Director, Civil Aircraft Project; Director, Commercial Business; Chief Auditor, AIDC; Master in Power Mechanical Engineering, National Tsing Hua University	-	-	-	-	-

Title	Nationality	Name	Gender	Date Elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Managers Who are Spouses or Within the Second Degree of Kinship			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Vice President	R.O.C.	Du, Shiu-Chun	Male	2016.02.01	143,260	-	-	-	-	-	Director, Strategy & Operational Management; Director, Engineering; Director, IT, AIDC; Ph.D. in Mechanical Engineering, National Taiwan University	-	-	-	-	-
Vice President	R.O.C.	Lo, Ching-Chi	Male	2017.08.08	100,020	-	-	-	-	-	Director, Procurement; Director, Business; Director, Commercial Business Development, AIDC; BS in Industrial Design, National Cheng Kung University	National Applied Research Laboratories Advisory Committee Member (9th-term)	-	-	-	-
Vice President	R.O.C.	Wei, Chia-You	Male	2022.08.05	50,000	-	-	-	-	-	Director, Production; Director, Business Administration; Director, Materials; Director, Commercial Business; Master in Aerospace Business Management, Toulouse Business School	-	-	-	-	-
Vice President	R.O.C.	Huang, Shu-Yuan	Female	2018.09.28	134,565	-	123,774	-	-	-	Director, Finance & Accounting, AIDC; Ph.D. in Business, Feng Chia University	-	-	-	-	-
Vice President	R.O.C.	Chuang, Jennifer	Female	2020.10.01	131,325	-	-	-	-	-	Director, Procurement; Director, Strategy & Operational Management, AIDC; Master of Science in Management, Tunghai University	-	-	-	-	-

Note: Vice President Lo, Ching-Chi retired on April 29, 2022; Vice President Wei, Chia-You was appointed on August 5, 2022.

III. Remuneration Paid to Directors (Including Independent Directors), President, and Vice President in the Most Recent Year:

(I) Remuneration of directors (including independent directors)

Unit: NT\$ thousands; %

Title	Name (Note 1)	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income		Relevant Remuneration Received By Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income		Compensation from Ventures Other Than Subsidiaries or from the Parent Company
		Base Compensation (A)		Severance Pay and Pension (B)		Director Remuneration (C) (Note 2)		Business Execution Expenses (D)				Salary, Bonuses, and Allowances (E)		Severance Pay and Pension (F)		Employee Compensation (G)						
		The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	Cash	Stock	Cash	Stock	The Company	All Companies in the Financial Statements	
Chairman	Ministry of Economic Affairs Representative: Hu, Kai-Hung	408		0	11,473		0		11,881 0.73%		10,371		0		12	0	12	0	22,264 1.37%		0	
Executive Director	Ministry of Economic Affairs Representative: Ma, Wan-June																					
Director	Ministry of Economic Affairs Representative: Liou, Ming-Jong																					
Director	Ministry of Economic Affairs Representative: Chang, Ming-Pin																					
Director	Ministry of Economic Affairs Representative: Shieu, Fuh-Sheng																					
Director	Ministry of Economic Affairs Representative: Hsiao, Mu-Lai																					
Director	Ministry of Economic Affairs Representative: Lee, Ming-Li																					
Director	National Defense Industrial Development Foundation (NDIDF) Representative: Mei, Chia-Shu																					
Director	National Defense Industrial Development Foundation (NDIDF) Representative: Cheng Jung-Feng																					

Title	Name (Note 1)	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income		Relevant Remuneration Received By Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income		Compensation from Ventures Other Than Subsidiaries or from the Parent Company		
		Base Compensation		Severance Pay and Pension		Director Remuneration		Business Execution Expenses				Salary, Bonuses, and Allowances		Severance Pay and Pension		Employee Compensation								
		(A)		(B)		(C) (Note 2)		(D)		(E)		(F)		(G)										
		The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	Cash	Stock	Cash	Stock	The Company	All Companies in the Financial Statements			
Executive and Independent Director	Chan, Chia-Chang	2,355		0		0		0		2,355 0.14%		0		0		0		0	0	0	0	2,355 0.14%		0
Independent Director	Chen, Yin-Chin																							
Independent Director	Lien, Li-Jen																							
1. Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration: Based on the level of participation and contribution of independent directors to the Company's operations; calculated in number of months an independent director actually served at the Company.																								
2. Other than as disclosed in the above table, the remuneration earned by directors for providing services (e.g. providing consulting services as a non-employee of the parent company/all companies in financial statements/investees) in the latest fiscal year: None																								

Note 1: NDIDF representative changes: Cheng, Jung-Feng replaced Mei, Chia-Shu on July 8, 2022.

Note 2: "Director's remuneration (C)" refers to the remuneration of the Company's institutional directors. The amount in this field is collected by the institutional director. Directors' remuneration is only an estimate and has not yet been distributed.

Note 3: The remuneration disclosed in this table is different from the income concept of the Income Tax Act. Thus, the purpose of this table is for information disclosure, not for tax purposes.

Note 4: The annual report does not include the NT\$41 thousand in gifts and physical examinations for directors.

Range of Remuneration Table

Range of remuneration	Name of director			
	Total amount of (A+B+C+D)		Total amount of (A+B+C+D+E+F+G)	
	The Company	All Companies in the Financial Statements (H)	The Company	All Companies in the Financial Statements (I)
Under NT\$1,000,000	Hu, Kai-Hung, Ma, Wan-June, Liou, Ming-Jong, Chang, Ming-Pin, Shieu, Fuh-Sheng, Hsiao, Mu-Lai, Lee, Ming-Li, Mei, Chia-Shu, Cheng, Jung-Feng, Chan, Chia-Chang, Chen, Yin-Chin, Lien, Li-Jen	Same as the left	Liou, Ming-Jong, Chang, Ming-Pin, Shieu, Fuh-Sheng, Mei, Chia-Shu, Cheng, Jung-Feng, Chan, Chia-Chang, Chen, Yin-Chin, Lien, Li-Jen	Same as the left
NT\$1,000,000 – NT\$1,999,999	National Defense Industrial Development Foundation (NDIDF)	Same as the left	Hsiao, Mu-Lai, Lee, Ming-Li, National Defense Industrial Development Foundation (NDIDF)	Same as the left
NT\$2,000,000 – NT\$3,499, 999	—	—	Ma, Wan-June	Same as the left
NT\$3,500,000 – NT\$4,999,999	—	—	Hu, Kai-Hung	Same as the left
NT\$5,000,000 – NT\$9, 999,999	—	—	—	—
NT\$10,000,000 – NT\$14, 999,999	Ministry of Economic Affairs	Same as the left	Ministry of Economic Affairs	Same as the left
NT\$15,000,000 – NT\$29, 999,999	—	—	—	—
NT\$30,000,000 – NT\$49, 999,999	—	—	—	—
NT\$50,000,000 – NT\$99, 999,999	—	—	—	—
NT\$100,000,000 & above	—	—	—	—
Total	14 persons	Same as the left	14 persons	Same as the left

Note: All remuneration of directors was collected by institutional directors, remuneration includes salaries and employee bonuses for representatives of institutional directors who are concurrently employees of the Company.

(II) Remuneration paid to supervisors and remuneration range : Not applicable.

(III) Remuneration Brackets for the President and Vice Presidents

Unit: NT\$ thousands; %

Title	Name	Salary (A)		Severance Pay and Pension (B)		Bonuses and Allowances (C)		The amount of employee compensation (D)				Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Compensation from Ventures Other Than Subsidiaries or from the Parent Company
		The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company		All Companies in the Financial Statements		The Company	All Companies in the Financial Statements	
								Cash	Stock	Cash	Stock			
President	Ma, Wan-June	13,129	13,129	0	0	4,997	4,997	44	0	44	0	18,170 1.12%	18,170 1.12%	None
Vice President	Lo, Ching-Chi (Note 1)													
Vice President	Du, Shiu-Chun													
Vice President	Wei, Chia-You													
Vice President	Huang, Shu-Yuan													
Vice President	Chuang, Jennifer													
Vice President	Tseng, Kuo-Yi (Note 1)													

Note 1: Disclosure of remuneration to managers is calculated for the entire year of 2022. Vice president Lo, Ching-Chi on April 29, 2022; Vice President Wei, Chia-You was appointed on August 5, 2022.

Note 2: Provides the employee remunerations approved by the Board of Directors and distributed to the managers in the most recent year (including shares and cash); if they cannot be estimated, calculate the value intended to be distributed this year according to the actual value distributed last year.

Range of Remuneration Table

Range of remuneration paid to presidents and vice presidents	Names of president and vice presidents	
	The Company	All Companies in the Financial Statements (E)
Under NT\$1,000,000	Wei, Chia-You	Same as the left
NT\$1,000,000 – NT\$1,999,999	Lo, Ching-Chi	Same as the left
NT\$2,000,000 – NT\$3,499, 999	Du, Shiu-Chun, Chuang, Jennifer, Huang, Shu-Yuan, Tseng, Kuo-Yi	Same as the left
NT\$3,500,000 – NT\$4,999,999	Ma, Wan-June	Same as the left
NT\$5,000,000 – NT\$9, 999,999	-	-
NT\$10,000,000 – NT\$14, 999,999	-	-
NT\$15,000,000 – NT\$29, 999,999	-	-
NT\$30,000,000 – NT\$49, 999,999	-	-
NT\$50,000,000 – NT\$99, 999,999	-	-
NT\$100,000,000 & above	-	-
Total	7 persons	Same as the left

(IV) Names of managerial officers that received employee bonuses and status of the distribution

Unit: NT\$ thousands

Title		Name	Stock	Cash	Total	Ratio of Total Amount to Net Income (%)
Managers	President	Ma, Wan-June	0	44	44	0.0027%
	Vice President	Lo, Ching-Chi (Note 1)				
	Vice President	Du, Shiu-Chun				
	Vice President	Wei, Chia-You				
	Vice President	Huang, Shu-Yuan				
	Vice President	Chuang, Jennifer				
	Vice President	Tseng, Kuo-Yi (Note 1)				

Note 1: Disclosure of remuneration to managers is calculated for the entire year of 2022. Vice president Lo, Ching-Chi on April 29, 2022; Vice President Wei, Chia-You was appointed on August 5, 2022.

Note 2: Managers that receive employee bonuses in this table are vice president and higher level managers according to the Articles of Incorporation. The employee bonuses will be distributed after approval by the Board of Directors.

Note 3: The Company has not yet distributed employee bonuses. The estimate is the amount distributed in the previous year. Employee bonuses are calculated according to the proportion of the year they worked at the Company.

Note 4: The president does not receive employee bonuses.

(V) Compare and describe separately the analysis of total remunerations paid to the Company's directors, president, and vice president for the past two years by the Company and all companies in the stand alone financial statements as a percentage of the net income after tax, and describe the correlation among the remuneration payment policy, standards and combination, remuneration establishing procedures, and management performance and future risks:

1. The amount of remuneration to the Company's directors, president, and vice presidents from the Company and all companies on the consolidated financial statements in the past two years as a percentage of after-tax net profit:

Unit: NT\$ thousands

Identity \ Year	2021		2022	
	The Company	Consolidated financial statements (Note)	The Company	Consolidated financial statements (Note)
Remuneration to directors	6,264	6,264	14,236	14,236
Directors' remuneration as a percentage of net profit after tax (%)	1.12%	1.12%	0.87%	0.87%
Remunerations to the president and vice presidents	17,771	17,771	18,170	18,170
Remunerations to the president and vice presidents as a percentage of net profit after tax (%)	3.18%	3.18%	1.12%	1.12%

Note: Directors' remuneration in this table do not include the Company's employee bonuses.

2. The policies and standards of paying remunerations, and packages of remuneration; the procedure for making such decisions; and relation to business performance and future risks:

The Board of Directors is authorized to approve the remuneration to directors (including chairman and independent directors) according to the Company's Articles of Incorporation. The Articles of Incorporation stipulate that if the Company makes a profit for the year, it shall allocate no more than 0.58% as directors' remuneration and no less than 0.58% and no more than 4.65% as employee bonuses. When there is a cumulative deficit, the Company shall reserve such an amount in advance for compensation.

Article 7, Paragraph 2, Subparagraph 2 of the Remuneration Committee Charter states that performance evaluations and remuneration of directors and managers should take into consideration industry standards, the time input by the individual, duties, achievement of individual goals, performance in other positions, and remuneration provided by the Company to others at the same job level. The Company's achievement of short-term and long-term business goals and financial position are used to evaluate the reasonableness of the connection between individual performance and the Company's business performance and future risks.

IV. Implementation of corporate governance

(I) Board of Directors

1. A total of 7 Board meetings were held in 2022. The attendance was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance rate	Remark
Chairman	MOEA Representative: Hu, Kai-Hung	6	1	85.71%	
Executive Director	MOEA Representative: Ma, Wan-June	6	1	85.71%	
Director	MOEA Representative: Liou, Ming-Jong	6	1	85.71%	
Director	MOEA Representative: Chang, Ming-Pin	6	1	85.71%	
Director	MOEA Representative: Shieu, Fuh-Sheng	7	0	100%	
Director	MOEA Representative: Hsiao, Mu-Lai	7	0	100%	
Director	MOEA Representative: Lee, Ming-Li	7	0	100%	
Director	National Defense Industrial Development Foundation (NDIDF) Representative: Mei, Chia-Shu	3	0	75.00%	Dismissed on July 7, 2022
Director	National Defense Industrial Development Foundation (NDIDF) Representative: Cheng Jung-Feng	1	1	33.33%	Appointed on July 8, 2022
Executive and Independent Director	Chan, Chia-Chang	7	0	100%	
Independent Director	Chen, Yin-Chin	7	0	100%	
Independent Director	Lien, Li-Jen	7	0	100%	
Actual attendance of all directors in Board meetings		70	5	90.91%	

2. Other matters:

(1) Opinions of the independent directors on matters listed in Article 14-3 of the Securities and Exchange Act and the Company's handling of independent directors' opinions:

Board of Directors Meeting Date/Term	Details of the proposal and follow-up	Attendance of independent directors in person	Matters listed in Article 14--3 of the Securities and Exchange Act	Opinions of independent directors	The Company's handling of independent directors' opinions	Dissenting or qualified opinion of independent director(s)
2022/01/21 3rd meeting of 9th-term	Proposal to convene the Company's 2022 Annual General Meeting Resolution: Approved by all directors in attendance	3	✓	None	N/A	None
2022/03/28 4th meeting of 9th-term	The Company's 2021 business report. Resolution: Approved by all directors in attendance (including by proxy).	3				
	Proposed distribution of 2021 employee bonuses and directors' remuneration. Resolution: Approved by all directors in attendance (including by proxy).	3				
	The Company's 2021 financial statements. Resolution: Approved by all directors in attendance (including by proxy).	3	✓	None	N/A	None
	The Company's 2021 dividend distribution proposal. Resolution: Approved by all directors in attendance (including by proxy).	3	✓	None	N/A	None
	The Company's 2021 Statement of Internal Control System. Resolution: Approved by all directors in attendance (including by proxy).	3				
	Proposed amendment to the Company's Articles of Incorporation. Resolution: Approved by all directors in attendance (including by proxy).	3				

Board of Directors Meeting Date/Term	Details of the proposal and follow-up	Attendance of independent directors in person	Matters listed in Article 14--3 of the Securities and Exchange Act	Opinions of independent directors	The Company's handling of independent directors' opinions	Dissenting or qualified opinion of independent director(s)
	Proposed amendment to the agenda of the Company's 2022 Annual General Meeting. Resolution: Approved by all directors in attendance (including by proxy).	3				
	Proposed use of video conferencing during the Company's 2022 Annual General Meeting. Resolution: Approved by all directors in attendance (including by proxy).	3	✓	None	N/A	None
	Proposed distribution of 2021 bonuses to the Company's chairman, president, and managers. Resolution: Approved by all directors in attendance (including by proxy).	3	✓	None	N/A	None
	Proposed principles for distribution of 2022 bonuses to the Company's chairman, president, and managers. Resolution: Approved by all directors in attendance (including by proxy).	3	✓	None	N/A	None
	Proposed amendment to the Company's Regulations for Supervision and Management of Subsidiaries. Resolution: Approved by all directors in attendance (including by proxy).	3				
2021/05/06 5th meeting of 9th-term	The Company's 2022 Q1 financial statements. Resolution: Approved by all directors in attendance (including by proxy).	3	✓	None	N/A	None
	Proposed amendment to the Company's Charter. Resolution: Approved by all directors in attendance (including by proxy).	3				

Board of Directors Meeting Date/Term	Details of the proposal and follow-up	Attendance of independent directors in person	Matters listed in Article 14--3 of the Securities and Exchange Act	Opinions of independent directors	The Company's handling of independent directors' opinions	Dissenting or qualified opinion of independent director(s)
	Proposed amendment to the Company's Corporate Social Responsibility Best Practice Principles. Resolution: Approved by all directors in attendance (including by proxy).	3				
	The Company's fixed asset investment plan in second and third energy storage systems in the Sha-Lu Complex Resolution: Approved by all directors in attendance (including by proxy).	3				
2022/05/23 2nd extraordinary meeting of 9th-term	Proposed salary raises in 2022. Resolution: Approved by all directors in attendance.	3				
	Proposed salary raises for the Company's chairman and president. Resolution: Approved by all directors in attendance.	3	✓	None	N/A	None
	Proposed adjustment to the Company's 2022 business goals. Resolution: Approved by all directors in attendance.	3				
	Proposed investment in a commercial office for the US subsidiary, AIDC USA LLC. Resolution: Approved by all directors in attendance.	3				
2022/08/05 6th meeting of 9th-term	The Company's 2022 Q2 financial statements. Resolution: Approved by all directors in attendance.	3	✓	None	N/A	None
	Proposed amendment to the Company's Corporate Governance Guidelines. Resolution: Approved by all directors in attendance.	3				

Board of Directors Meeting Date/Term	Details of the proposal and follow-up	Attendance of independent directors in person	Matters listed in Article 14--3 of the Securities and Exchange Act	Opinions of independent directors	The Company's handling of independent directors' opinions	Dissenting or qualified opinion of independent director(s)
	Proposed change of the Company's shareholder service agency. Resolution: Approved by all directors in attendance.	3	✓	None	N/A	None
	Proposed appointment and retirement of the Company's vice president. Resolution: Approved by all directors in attendance.	3	✓	None	N/A	None
2022/11/07 7th meeting of 9th-term	The Company's 2022 Q3 financial statements. Resolution: Approved by all directors in attendance (including by proxy).	3	✓	None	N/A	None
	Proposed amendment to the Company's Rules of Procedure for Shareholders' Meetings. Resolution: Approved by all directors in attendance (including by proxy).	3				
	Proposed amendment to the Company's internal control system. Resolution: Approved by all directors in attendance (including by proxy).	3	✓	None	N/A	None
	Proposed amendment to the Company's Internal Audit Implementation Rules. Resolution: Approved by all directors in attendance (including by proxy).	3				
	The Company's 2023 internal audit plan. Resolution: Approved by all directors in attendance (including by proxy).	3				
2022/12/16 8th meeting of 9th-term	Proposed amendment to the Company's Rules of Procedure for Board of Directors Meetings. Resolution: Approved by all directors in attendance (including by proxy).	3				

Board of Directors Meeting Date/Term	Details of the proposal and follow-up	Attendance of independent directors in person	Matters listed in Article 14--3 of the Securities and Exchange Act	Opinions of independent directors	The Company's handling of independent directors' opinions	Dissenting or qualified opinion of independent director(s)
	Proposed amendment to the Company's Procedures for Acquisition and Disposal of Assets. Resolution: Approved by all directors in attendance (including by proxy).	3	✓	None	N/A	None
	The Company's 2023 business plan. Resolution: Approved by all directors in attendance (including by proxy).	3				
	Proposed establishment of subsidiary Hsiang Yuan Co., Ltd. Resolution: Approved by a majority vote of directors in attendance (including by proxy).	3				
	Proposed appointment of directors, supervisors, chairperson, and president of Hsiang Yuan Co., Ltd. Resolution: Approved by a majority vote of directors in attendance (including by proxy).	3				
	Proposed principles for distribution of 2023 bonuses to the Company's chairman, president, and managers. Resolution: Approved by all directors in attendance (including by proxy).	3	✓	None	N/A	None
	Proposed appointment and remuneration of the Company's accountants in 2023-2025. Resolution: Approved by all directors in attendance (including by proxy).	3	✓	None	N/A	None
	The Company's self-reported 2022 financial information Resolution: Approved by all directors in attendance (including by proxy).	3	✓	None	N/A	None
2023/02/24 9th meeting of 9th-term						

Board of Directors Meeting Date/Term	Details of the proposal and follow-up	Attendance of independent directors in person	Matters listed in Article 14--3 of the Securities and Exchange Act	Opinions of independent directors	The Company's handling of independent directors' opinions	Dissenting or qualified opinion of independent director(s)
	Proposal to convene the Company's 2023 Annual General Meeting Resolution: Approved by all directors in attendance (including by proxy).	3	✓	None	N/A	None
	The Company's additional pay for certifications Resolution: Approved by all directors in attendance (including by proxy).	3				
	Personnel proposal for the US subsidiary, AIDC USA LLC Resolution: Approved by all directors in attendance (including by proxy).	3				
2023/03/27 10th meeting of 9th-term	The Company's 2022 business report. Resolution: Approved by all directors in attendance (including by proxy).	3				
	Proposed distribution of 2022 employee bonuses and directors' remuneration. Resolution: Approved by all directors in attendance (including by proxy).	3				
	The Company's 2022 financial statements. Resolution: Approved by all directors in attendance (including by proxy).	3	✓	None	N/A	None
	The Company's 2022 dividend distribution proposal. Resolution: Approved by all directors in attendance (including by proxy).	3	✓	None	N/A	None
	The Company's 2022 Statement of Internal Control System. Resolution: Approved by all directors in attendance (including by proxy).	3				

Board of Directors Meeting Date/Term	Details of the proposal and follow-up	Attendance of independent directors in person	Matters listed in Article 14--3 of the Securities and Exchange Act	Opinions of independent directors	The Company's handling of independent directors' opinions	Dissenting or qualified opinion of independent director(s)
	Proposed distribution of 2022 bonuses to the Company's chairman, president, and managers. Resolution: Approved. The Company was asked to consider refining the principles for bonuses to the chairman, president, and other managers.	3	✓	None	N/A	None

(2) Other resolutions adopted by the Board of Directors to which an independent director has expressed dissenting or qualified opinions on record or in writing:

Board of Directors Meeting Date/Term	Details of the proposal and follow-up	Matters listed in Article 14-3 of the Securities and Exchange Act	Dissenting or qualified opinion of independent director(s)
2023/03/27 10th meeting of 9th-term	Agenda item: Proposed distribution of 2022 bonuses to the Company's chairman, president, and managers. Opinions of independent directors: The proposal was approved. The Company was asked to consider refining the principles for bonuses to the chairman, president, and other managers in 2023. The Company's handling of independent directors' opinions: After the bonus principles are drafted, they will be submitted to the Remuneration Committee and forwarded to the Board of Directors for approval according to procedures.	✓	None

(3) Directors recused from themselves from discussion or voting on an agenda item in which they have an interest:

Matters of concern to the individual interests of directors were already described in the agenda item. Directors were asked to pay attention to matters that they should recuse themselves from, leave their seats, and not participate in the discussion or voting. Directors who recused themselves from agenda items that they have a conflict of interest in are as follows:

Board of Directors Meeting Date/Term	Name of director	Content of proposal	Reason for recusal	Participation in voting
2022/03/28	Hu, Kai-Hung,	Proposed distribution	Payment of	Chairman Hu, Kai-Hung and

Board of Directors Meeting Date/Term	Name of director	Content of proposal	Reason for recusal	Participation in voting
4th meeting of 9th-term	Chairman Executive Director – Ma, Wan-June	of 2021 bonuses to the Company's chairman, president, and managers.	individual remuneration	Executive Director Ma, Wan-June (president) recused themselves and did not participate in the discussion and voting.
2022/03/28 4th meeting of 9th-term	Hu, Kai-Hung, Chairman Executive Director – Ma, Wan-June	Proposed principles for distribution of 2022 bonuses to the Company's chairman, president, and managers.	Payment of individual remuneration	Chairman Hu, Kai-Hung and Executive Director Ma, Wan-June (president) recused themselves and did not participate in the discussion and voting.
2022/05/23 2nd extraordinary meeting of 9th-term	Hu, Kai-Hung, Chairman Executive Director – Ma, Wan-June	Proposed salary raises for the Company's chairman and president.	Payment of individual remuneration	Chairman Hu, Kai-Hung and Executive Director Ma, Wan-June (president) recused themselves and did not participate in the discussion and voting.
2022/12/16 8th meeting of 9th-term	Hu, Kai-Hung, Chairman Executive Director – Ma, Wan-June	Proposed principles for distribution of 2023 bonuses to the Company's chairman, president, and managers.	Payment of individual remuneration	Chairman Hu, Kai-Hung and Executive Director Ma, Wan-June (president) recused themselves and did not participate in the discussion and voting.
2023/03/27 10th meeting of 9th-term	Hu, Kai-Hung, Chairman Executive Director – Ma, Wan-June	Proposed distribution of 2022 bonuses to the Company's chairman, president, and managers.	Payment of individual remuneration	Chairman Hu, Kai-Hung and Executive Director Ma, Wan-June (president) recused themselves and did not participate in the discussion and voting.

(4) Goals for enhancing Board functions in the current year and most recent year and evaluation of implementation status:

(4.1) Enhancing the functions of the Board of Directors:

The Company currently has 3 independent directors who have an expertise in accounting, finance, and law. The independent directors often provide effective and professional opinions on the Company's operations management, internal control system, financial position and business performance, and investment plans. The Company's Board of Directors has established an Audit Committee, Remuneration Committee, and Information Security Committee. Committee members independently provide the Board of Directors with recommendations based on their expertise, and thereby ensure the appropriateness of financial and non-financial reports, effectiveness of the internal control system, and reasonableness of directors and managers' performance evaluation and remuneration. The committees optimize the Company's business information security management, and provide a basis for the Board of Directors to make business decisions, further enhancing Board functions.

We established mechanisms for dialogue and interactions between the Board of Directors and shareholders to implement corporate governance. Besides setting up an investors section on the company website to announce major resolutions of the Board of Directors and information on the

Company's business performance and financial position, we also set up a mailbox of the Board of Directors to provide a platform for two-way communication. This will improve shareholders' understanding of the Company operations, facilitate corporate sustainability, increase company value, and ensure alignment with shareholders' long-term interests.

(4.2) Increasing information transparency:

The Company appointed Deloitte Taiwan to periodically review and certify financial statements. Designated personnel are responsible for information required by the law, and periodically announce the Company's operating revenue and financial statements and organize investor conferences. The Company has established a complete spokesperson system to ensure the immediate and proper disclosure of material information, and provide shareholders and stakeholders with information on the Company's financial position and business performance. Please see the company website and Market Observation Post System for important information on the Company's financial position and business performance.

(4.3) Evaluation of Board function performance:

1. The Company established the Rules of Procedure for Board of Directors Meetings in accordance with the Regulations Governing Procedure for Board of Directors Meetings of Public Companies, which provide the basis for affairs of Board meetings. The Company also implements corporate governance regulations, discloses information on attendance of directors in Board meetings on the MOPS, and discloses major resolutions of the Board of Directors on the company website.
2. The Company established an Audit Committee in accordance with Article 14-4 of the Securities and Exchange Act, and the committee is formed by all independent directors of the Company. According to the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter," the Company established a Remuneration Committee and members are appointed by the Board of Directors.
3. The Board of Directors established an Information Security Committee to improve the Company's information security management. The committee is responsible for reviewing the Company's information security policy and regulations, examining and reviewing the information security management system, and reviewing the annual information security promotion plan and results. The committee developed comprehensive information security mechanisms through professional information security planning, supervision, and actions, and periodically evaluates and reports the Company's information security management to the Board of Directors.
4. The Company's Board meetings are handled according to the Regulations Governing Procedure for Board of Directors Meetings of Public Companies. The Board of Directors periodically listens to minutes and implementation status of the previous meeting, reports on the Company's financial position and business performance, reports on internal audits, and other important reports. The Board of Directors evaluates and supervises current or potential risks in the Company's operations, supervises the Company's compliance with the law and internal control system, and follows up on resolutions of the Board of Directors.
5. The Company has implemented an internal control system, matters that involve the Board of Directors' authority and responsibilities are submitted to the Board of Directors for approval before being carried out. Pursuant to the Company Act and Article 14-3 and Article 14-5 of the Securities and Exchange Act, agenda items that must be submitted to the Audit Committee or Board of Directors for a resolution must be approved by the Audit Committee and then submitted to the Board of Directors for a resolution. Annual and semi-annual financial

statements are handled according to Article 14-5 of the Securities and Exchange Act and Article 8 of the Regulations Governing the Exercise of Powers by Audit Committees of Public Companies.

6. The Company implements corporate governance according to the "Taiwan Stock Exchange Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers." Chen, Tsung-Hung, Chief of the Chairman's Office, was appointed by the Board of Directors as the corporate governance officer, and is responsible for the Company's corporate governance matters, providing directors with the assistance required to perform their duties and handling changes in directors.
7. Based on corporate governance evaluation indicators announced by TWSE each year, the Company continues to improve self-evaluations of different aspects, including protecting shareholders' equity and treating shareholders fairly, level of participation in operations, strengthening Board operations, increasing information transparency, and continuing education of directors. Please refer to Chapter IV (II) Implementation of Corporate Governance for details of the Company's goals to enhance Board functions and evaluation.

(5) Liability insurance for directors and managers:

The Company has purchased liability insurance for all directors and managers since 2014 to reduce the legal and financial liabilities of management, as well as the unknown risks that the Company may have to bear, and transfer the potential losses when directors and the Company is performing duties. Five insurance companies including Fubon Insurance Co., Ltd. jointly provided coverage in 2022. The insurance period, amount, and coverage of liability insurance were reported to the board of directors on August 5, 2022 in accordance with article 39 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies. See the Market Observation Post System for details of liability insurance purchased by the Company for directors and managers.

(6) Continuing education of directors:

Title	Name	Date of first appointment	Date of appointment	Date of continuing education		Organizer	Course name	Hours of continuing education	Total hours
				Start	End				
Chairman	Hu, Kai-Hung	2019/03/18	2021/08/13	2022/08/15	2022/08/15	Securities & Futures Institute	How directors analyze financial statements for corporate risk management	3	6
				2022/08/18	2022/08/18	Taiwan Institute of Directors	SAP NOW Taiwan jointly creating sustainable and intelligent enterprises	3	
Executive Director	Ma, Wan-June	2019/03/18	2021/08/13	2022/04/19	2022/04/19	Taiwan Corporate Governance Association	The only way to corporate sustainability – External innovation	3	6
				2022/07/15	2022/07/15	Securities & Futures Institute	Challenges and opportunities of sustainable development paths and introduction to GHG inventory	3	
Director	Liou, Ming-Jong	2019/10/01	2021/08/13	2022/02/18	2022/02/18	Taiwan Corporate Governance Association	Unlocking the password to financial statements	3	6
				2022/11/11	2022/11/11	Taiwan Corporate Governance Association	Trade Secret Protection and Corruption Detection and Prevention Practices	3	
Director	Chang, Ming-	2018/06/26	2021/08/13	2022/03/22	2022/03/22	Taiwan Corporate	Development direction of green industries – Low-carbon	3	6

Title	Name	Date of first appointment	Date of appointment	Date of continuing education		Organizer	Course name	Hours of continuing education	Total hours
				Start	End				
	Pin					Governance Association	investment prospects and business strategies in response		
				2022/05/13	2022/05/13	Taiwan Corporate Governance Association	Insider Trading Prevention	3	
Director	Shieu, Fuh-Sheng	2016/07/22	2021/08/13	2022/03/22	2022/03/22	Taiwan Corporate Governance Association	Development direction of green industries – Low-carbon investment prospects and business strategies in response	3	6
				2022/07/05	2022/07/05	Taiwan Corporate Governance Association	2030/2050 Green industrial revolution	3	
Director	Hsiao, Mu-Lai	2021/12/23	2021/12/23	2022/06/24	2022/06/24	Taiwan Corporate Governance Association	Audit Committee advanced practices sharing – Towards 3.0 (best practices for Audit Committee conveners)	3	14
				2022/07/15	2022/07/15	Securities & Futures Institute	Challenges and opportunities of sustainable development paths and introduction to GHG inventory	3	
				2022/08/15	2022/08/16	Ministry of Labor	2022 Promotion of Labor Education Workshop – Labor Unions and Labor Director Activities	8	
Director	Lee, Ming-Li	2021/08/13	2021/08/13	2022/06/21	2022/06/21	Taiwan Corporate Governance Association	How to prevent internal worries_Analysis of internal investigations of companies	3	14
				2022/07/15	2022/07/15	Securities & Futures Institute	Challenges and opportunities of sustainable development paths and introduction to GHG inventory	3	
				2022/08/15	2022/08/16	Ministry of Labor	2022 Promotion of Labor Education Workshop – Labor Unions and Labor Director Activities	8	
Director	Cheng Jung-Feng	2022/07/08	2022/07/08	2022/10/12	2022/10/12	Securities & Futures Institute	2022 Insider Equity Transaction Legal Compliance Awareness Briefing	3	12
				2022/10/19	2022/10/19	Taiwan Corporate Governance Association	18th (2022) Corporate Governance Summit – Enhancing board functions for corporate sustainability	6	
				2022/10/28	2022/10/28	Securities & Futures Institute	2022 Seminar on Prevention of Insider Trading	3	
Executive and Independent Director	Chan, Chia-Chang	2018/06/26	2021/08/13	2022/05/10	2022/05/10	Taiwan Corporate Governance Association	Evaluation of board functions and performance	3	6
				2022/07/15	2022/07/15	Securities & Futures Institute	Challenges and opportunities of sustainable development paths and introduction to GHG inventory	3	
Independent Director	Chen, Yin-Chin	2018/06/26	2021/08/13	2022/07/15	2022/07/15	Securities & Futures Institute	Challenges and opportunities of sustainable development paths and introduction to GHG inventory	3	6

Title	Name	Date of first appointment	Date of appointment	Date of continuing education		Organizer	Course name	Hours of continuing education	Total hours
				Start	End				
				2022/10/11	2022/10/11	Taiwan Stock Exchange Corporation	2022 Public companies – Announcement of guidelines for independent directors and the Audit Committee to perform duties and meeting for directors and supervisors	3	
Independent Director	Lien, Li-Jen	2019/05/31	2021/08/13	2022/02/18	2022/02/18	Taiwan Corporate Governance Association	Unlocking the password to financial statements	3	15
				2022/07/15	2022/07/15	Securities & Futures Institute	Challenges and opportunities of sustainable development paths and introduction to GHG inventory	3	
				2022/07/22	2022/07/22	Taiwan Corporate Governance Association	Audit Committee advanced practices sharing – The role of independent directors in business administration and corporate governance	3	
				2022/09/07	2022/09/07	Securities & Futures Institute	Issues of employee bonuses and directors' remuneration – The amendment to Article 14 of the Securities and Exchange Act	3	
				2022/10/21	2022/10/21	Taiwan Corporate Governance Association	How do directors and supervisors properly carry out risk management and internal control	3	

(II) Implementation of Board Performance Evaluations

Pursuant to Article 37 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, the Company established Regulations Governing Board Performance Evaluations and procedures, and periodically evaluates the performance of the Board of Directors, functional committees, and individual directors each year. Please see the Market Observation Post System or company website for details of the Regulations Governing Board Performance Evaluations. The average score in the 2022 Board of Directors performance evaluation was 4.96-4.94 points (between 5 points "Strongly agree" and 4 points "Agree"), and the implementation status is as follows:

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items
Implemented once a year	2022/01/01~ 2022/12/31	Performance evaluation of the Board of Directors, individual directors, and functional committees	1. Board of Directors self-evaluation 2. Self-evaluation by Board members 3. Self-evaluation by functional committees (Audit Committee, Remuneration Committee, and Information Security Committee)	1. Board Performance Evaluation There are 18 measurement indicators divided into the following five aspects: (1) Level of participation in company operations. (2) Improving the quality of board decisions. (3) Board composition and structure. (4) Election and continuing education of directors. (5) Internal control. 2. Performance evaluation of individual directors There are 15 measurement indicators divided into the following six aspects: (1) Understanding of the Company's goals and mission. (2) Understanding of directors' duties. (3) Level of participation in company operations. (4) Maintaining internal relationships and communication. (5) The professional and continuing education of directors. (6) Internal control. 3. Performance evaluation of functional committees There are 15 measurement indicators divided into the following five aspects: (1) Level of participation in company operations. (2) Understanding of the responsibilities of functional committees. (3) Improvement of the decision-making quality of functional committees. (4) Composition of functional committees and member selection. (5) Internal control.

Note: Results of the Company's 2022 Board performance evaluation (including methods for review and improvements) were reported during the Board meeting on March 27, 2023 and submitted to the Remuneration Committee on March 16, 2023.

(III) Operations of the Audit Committee

1. AIDC's Audit Committee is formed by 3 independent directors, who assist the Board of Directors in ensuring the correct representation of the Company's financial statements, independence and performance of the CPAs, effective implementation of internal controls, the Company's compliance with related laws and regulations, and risk management. The Audit Committee convened 10 meetings between January 2022 and March 2023 (A). Attendance of independent directors is as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance rate (%) (B/A)	Remark
Executive and Independent Director	Chan, Chia-Chang	10	0	100.00%	None
Independent Director	Chen, Yin-Chin	10	0	100.00%	None
Independent Director	Lien, Li-Jen	10	0	100.00%	None

2. Important work items of the Audit Committee between January 2022 and March 2023 include:

- (1) Review financial statements, business reports, and earnings distribution proposals
- (2) Review the effectiveness of the internal control system
- (3) Review amendments to the Company's rules and regulations
- (4) Review the Company's annual business plan
- (5) Review the Company's investment plans in important assets and reinvestment plans
- (6) Review the internal audit plan
- (7) Review the evaluation report on the CPAs' independence and competence
- (8) Review internal audit reports
- (9) Review the implementation of reinvestments
- (10) Review the handling of material matters

3. Other matters:

- (1) Matters related to Article 14-5 of the Securities and Exchange Act approved by the Audit Committee between January 1, 2022 and March 31, 2023 are shown in the table below:

Audit Committee Meeting Date/Term	Content of proposal	Dissenting, qualified opinion, or major recommendations from independent directors	Resolutions of the Audit Committee	The Company's response to the Audit Committee's opinions
2022.03.18 3rd Meeting of the 9th-term Board of Directors	The Company's 2021 business report.	None	Approved as proposed.	Approved by the Board of Directors.
	The Company's 2021 financial statements.	None	Approved as proposed.	Approved by the Board of Directors.
	The Company's 2021 dividend	None	Approved as proposed.	Approved by the Board of Directors.

Audit Committee Meeting Date/Term	Content of proposal	Dissenting, qualified opinion, or major recommendations from independent directors	Resolutions of the Audit Committee	The Company's response to the Audit Committee's opinions
	distribution proposal			
	The Company's 2021 Statement of Internal Control System.	None	Approved as proposed.	Approved by the Board of Directors.
	Amendment to the Company's Articles of Incorporation	None	Approved as proposed.	Approved by the Board of Directors.
	Amendment to the Company's Regulations for Supervision and Management of Subsidiaries	None	Approved as proposed.	Approved by the Board of Directors.
2022.04.22 4th Meeting of the 9th-term Board of Directors	Report on the 2022 Q1 financial statements	None	Approved for submission to the Board of Directors for review	Approved by the Board of Directors.
	Amendment to the Charter of AIDC	Opinion(s) of Independent Director Lien, Li-Jen: Articles that were deleted and the contents revised in the amendment that are different from current articles should be clearly indicated.	Agree to make revisions according to the committee member's opinions and submit to the Board of Directors for review.	Submitted to the Board of Directors and approved after revision according to the committee member's opinions.
	Amendment to AIDC's Corporate Social Responsibility Best Practice Principles	Opinion(s) of Independent Director Chen, Yin-Chin and Lien, Li-Jen: 1. Please add "sustainable development" after ESG in the title. 2. Change "should" to "shall" in Article 8.	Agree to make revisions according to the committee member's opinions and submit to the Board of Directors for review.	Submitted to the Board of Directors and approved after revision according to the committee member's opinions.

Audit Committee Meeting Date/Term	Content of proposal	Dissenting, qualified opinion, or major recommendations from independent directors	Resolutions of the Audit Committee	The Company's response to the Audit Committee's opinions
	Investment plan in second and third energy storage systems in the Sha-Lu Complex	None	Approved for submission to the Board of Directors for review.	Approved by the Board of Directors.
2022.05.17 2nd extraordinary meeting of the 9th-term Board of Directors	Proposed investment in a commercial office for the US subsidiary	Opinion(s) of Independent Director Chan, Chia-Chang: Please include items that were omitted in the purchase plan into financial evaluations. Opinion(s) of Independent Director Chen, Yin-Chin: Please provide additional information, including the opinions of US President Biden on inflation on May 10, 2022 and whether the US economy is in a recession. Opinion(s) of Independent Director Lien, Li-Jen: What is the profit of the investment in ITEC? Additional explanations are required from subsidiaries after the meeting, if a 7% profit margin is added to the purchase amount, consider lowering it.	The proposing unit and US subsidiary are required to provide additional explanations according to the committee member's opinions and include them in the proposal, which must be approved for submission to the board of directors for review.	Submitted to the Board of Directors and approved after being handled according to the committee member's opinions.
2022.07.21 5th Meeting of the 9th-	2022 Q2 consolidated	None	Approved as proposed and submitted to the	Approved by the Board of Directors.

Audit Committee Meeting Date/Term	Content of proposal	Dissenting, qualified opinion, or major recommendations from independent directors	Resolutions of the Audit Committee	The Company's response to the Audit Committee's opinions
term Board of Directors	financial statements		Board of Directors for review.	
	Proposed change of the Company's shareholder service agency.	None	Approved as proposed and submitted to the Board of Directors for review.	Approved by the Board of Directors.
	Proposed amendment to the Company's Corporate Governance Guidelines.	None	Approved as proposed and submitted to the Board of Directors for review.	Approved by the Board of Directors.
2022.09.13 3rd extraordinary meeting of the 9th-term Board of Directors	Plan to establish subsidiary Hsiang Yuan Co., Ltd.	Opinion(s) of Independent Director Chan, Chia-Chang: The main point of this proposal is to discuss why it is necessary to establish the subsidiary Hsiang Yuan Co., Ltd. If it is going to be established as a company, then it must be more active, able to better integrate resources, and more determined to operate the company for the proposal to pinpoint issues. Please provide additional descriptions on why it needs to be established and what are the key points of integration? Opinion(s) of Independent Director Chen, Yin-	The committee in principle supports the plan to establish Hsiang Yuan Co., Ltd. However, please make revisions and supplement documents according to members of the committee and submit to the Board of Directors for review.	Submitted to the Board of Directors and approved after being handled according to the committee member's opinions.

Audit Committee Meeting Date/Term	Content of proposal	Dissenting, qualified opinion, or major recommendations from independent directors	Resolutions of the Audit Committee	The Company's response to the Audit Committee's opinions
		Chin: 1. The low initial investment amount must be specified, and what will it achieve? 2. The business conditions have changed from the feasibility report in July 2021, and should not be listed again. Please prepare a new investment feasibility report. Opinion(s) of Independent Director Lien, Li-Jen: 1. The parent company should have to pay for using equipment leased by a subsidiary, or there needs to be a reasonable pricing method. Transfer pricing cannot be used in the future. This is the only way to reflect on cost. 2. List details of operations, including (1) accommodations, (2) conference center, (3) meals, and (4) cultural creativity, and list detailed income in 2019-2021, 2022, 2023, etc., so that the profit and loss		

Audit Committee Meeting Date/Term	Content of proposal	Dissenting, qualified opinion, or major recommendations from independent directors	Resolutions of the Audit Committee	The Company's response to the Audit Committee's opinions
		of detailed items can be viewed to determine its effectiveness.		
2022.10.24 6th Meeting of the 9th-term Board of Directors	2022 Q3 consolidated financial statements	None	Approved as proposed and submitted to the Board of Directors for review.	Approved by the Board of Directors.
	Amendment to the Company's Rules of Procedure for Shareholders' Meetings.	Opinion(s) of Independent Director Chen, Yin-Chin: The underlined part of Article 9 on page 95 of the handbook asks whether the shareholders meeting is in person and via video conferencing at the same time. This part is not mentioned. Add the required text.	Please make revisions to Article 9 of the amendment according to the committee member's opinions, and submit to the Board of Directors for review.	Submitted to the Board of Directors and approved after revision according to the committee member's opinions.
	Proposed amendment to the Company's internal control system.	None	Approved as proposed and submitted to the Board of Directors for review.	Approved by the Board of Directors.
	Proposed amendment to the Company's Internal Audit Implementation Rules.	None	Approved as proposed and submitted to the Board of Directors for review.	Approved by the Board of Directors.
	The Company's 2022 internal audit plan.	None	Approved as proposed and submitted to the Board of Directors for review.	Approved by the Board of Directors.
2022.12.01 7th Meeting of the 9th-	2023-2025 CPA appointment and remuneration	Opinion(s) of Independent Director Chen, Yin-Chin:	Please make revisions according to the committee	Submitted to the Board of Directors and approved after revision according

Audit Committee Meeting Date/Term	Content of proposal	Dissenting, qualified opinion, or major recommendations from independent directors	Resolutions of the Audit Committee	The Company's response to the Audit Committee's opinions
term Board of Directors		Regarding the background for review and certification needs for the NTU Industry-Academia-Research Institute Flagship Team Project in the appendix, please provide additional documents for explanation.	member's opinions and submit to the Board of Directors for review.	to the committee member's opinions.
	Lease of state-owned land in Taitung	Opinion(s) of Independent Director Chan, Chia-Chang: Financial feasibility was not taken into consideration and it may become a financial burden, such as the rate of return and when will it become profitable? Opinion(s) of Independent Director Lien, Li-Jen: How much will it cost to subsidize rent. Please provide data before deciding whether or not to build a dormitory.	Financial planning is not well thought out. A more detailed financial plan must be prepared before submitting the proposal, and will not be discussed until then.	Handled according to the committee member's opinions and submitted again.
	Proposed amendment to the Company's Rules of Procedure for Board of Directors Meetings.	Opinion(s) of Independent Director Chen, Yin-Chin: Article 7, Paragraph 1 of the Regulations Governing Procedure for Board of Directors	Please make revisions according to the committee member's opinions and submit to the Board of Directors for review.	Submitted to the Board of Directors and approved after revision according to the committee member's opinions.

Audit Committee Meeting Date/Term	Content of proposal	Dissenting, qualified opinion, or major recommendations from independent directors	Resolutions of the Audit Committee	The Company's response to the Audit Committee's opinions
		Meetings of Public Companies was not attached to this proposal, please provide additional documents.		
	Proposed amendment to the Company's Procedures for Acquisition and Disposal of Assets.	Opinion(s) of Independent Director Chen, Yin-Chin: The amendment to the Company's proposal procedures should be placed in front on page 155 of the handbook, and the amendment to the higher-level law should be placed in the back on page 137. Please make revisions.	Please make revisions according to the committee member's opinions and submit to the Board of Directors for review.	Submitted to the Board of Directors and approved after revision according to the committee member's opinions.
2023.02.14 8th Meeting of the 9th-term Board of Directors	Self-reported 2022 financial information	Self-reported 2022 financial information	None	Approved as proposed.
2023.03.16 9th Meeting of the 9th-term Board of Directors	The Company's 2022 business report.	The Company's 2022 business report.	Opinion(s) of Independent Director Chen, Yin-Chin: Be specific about the direction for business development in the 2023 business plan.	Please make revisions according to the committee member's opinions and submit to the Board of Directors for review.
	The Company's 2022 financial statements.	The Company's 2022 financial statements.	None	Approved as proposed.
	The Company's 2022 dividend distribution proposal	The Company's 2022 dividend distribution proposal	None	Approved as proposed.

Audit Committee Meeting Date/Term	Content of proposal	Dissenting, qualified opinion, or major recommendations from independent directors	Resolutions of the Audit Committee	The Company's response to the Audit Committee's opinions
	The Company's 2022 Statement of Internal Control System.	The Company's 2022 Statement of Internal Control System.	None	Approved as proposed.
	Lease of state-owned land in Taitung	Opinion(s) of Independent Director Chan, Chia-Chang: This proposal should take into consideration the impact of time value and price fluctuations, the design should not result in a loss, and planning must be thorough. Opinion(s) of Independent Director Chen, Yin-Chin: Please supplement the investment plan and financial report for this proposal. Opinion(s) of Independent Director Lien, Li-Jen: The financial plan for this proposal is not thorough enough. Apart from land lease, also include construction cost for complete evaluation.	Please provide supplemental information and make revisions according to the committee member's opinions, propose a complete investment evaluation, and submit it to the Board of Directors for review after obtaining approval from this committee.	To be handled according to the committee member's opinions.

- (2) There were no matters not approved by the Audit Committee but were passed by a vote of two-thirds or more of the entire Board of Directors between January 1, 2022 and March 31, 2023.
- (3) There were no agenda items between January 1, 2022 and March 31, 2023 that required independent directors to recuse themselves.
- (4) Communication between independent directors and the chief internal auditor between January 1, 2022 and March 31, 2023

Date	Method	Matter	Communication and results	Results of recommendation from independent director
2022.03.10	Individual meeting	The Company's internal audit.	It is recommended to strengthen audits of the Company's investment management and budget management	Added as key points of audits according to the opinion(s) of the independent director.
2022.03.16	Individual meeting	Communication of information before the 3rd Audit Committee meeting of the 9th-term Board of Directors	1. Noted by independent directors. 2. Communication was good.	The independent director did not propose any recommendations or opinions.
2022.03.18	Audit Committee Meeting	1. Reports: (1) Report on the implementation status of resolutions and matters of concern in the 2nd Audit Committee meeting of the 9th-term Board of Directors (2) Internal audit report for 2021 Q4 and the entire year 2. Proposals: 2021 Statement of Internal Control System	1. The reports were noted by independent directors. The proposal was approved to be submitted to the Board of Directors for review. 2. Communication was good.	The proposal was submitted to the Board of Directors and approved.
2022.04.22	Audit Committee Meeting	1. Report on matters of concerns in the 3rd Audit Committee meeting and the 1st extraordinary Audit Committee meeting of the 9th-term Board of Directors 2. Internal audit report for 2022 Q1	1. Noted by independent directors. 2. Communication was good.	The independent director did not propose any recommendations or opinions.

Date	Method	Matter	Communication and results	Results of recommendation from independent director
2022.07.21	Audit Committee Meeting	1. Report on matters of concern in the 4th Audit Committee meeting and 1st and 2nd extraordinary Audit Committee meetings of the 9th-term Board of Directors 2. Description of extraordinary meetings of the Audit Committee of the 8th-term and 9th-term Board of Directors 3. Internal audit report for 2022 Q2	1. Noted by independent directors. 2. Communication was good.	The independent director did not propose any recommendations or opinions.
2022.10.24	Audit Committee Meeting	1. Reports: (1) Status of matters of concern in the 4th and 5th Audit Committee meetings and 3rd extraordinary Audit Committee meetings of the 9th-term Board of Directors (2) Internal audit report for 2022 Q3 2. Proposals: (1) Proposed amendment to the Company's Internal Audit Implementation Rules. (2) The Company's 2023 internal audit plan.	1. The reports were noted by independent directors. The proposal was approved to be submitted to the Board of Directors for review. 2. Communication was good.	The proposal was submitted to the Board of Directors and approved.
2022.12.01	Audit Committee	Implementation status of concerns	Noted by independent	The independent director did not propose any

Date	Method	Matter	Communication and results	Results of recommendation from independent director
	Meeting	relating to resolutions of Audit Committee meetings of the 9th-term Board of Directors	directors and communication was good.	recommendations or opinions.
2022.12.01	Individual meeting	Communication of audit matters	Noted by independent directors and communication was good.	
2022.02.14	Audit Committee Meeting	Implementation status of concerns relating to resolutions of Audit Committee meetings of the 9th-term Board of Directors	Noted by independent directors and communication was good.	The independent director did not propose any recommendations or opinions.
2023.03.09	Individual meeting	The Company's internal audit.	Noted by independent directors and communication was good.	The independent director did not propose any recommendations or opinions.
2023.03.16	Audit Committee Meeting	1. Reports: (1) Report on the implementation status of resolutions and matters of concern in Audit Committee meetings of the 9th-term Board of Directors (2) Internal audit report for 2022 Q4 and the entire year 2. Proposals: 2022 Statement of Internal Control System	1. Reports were noted by independent directors and communication was good. 2. The proposal was approved to be submitted to the Board of Directors for review.	The proposal was submitted to the Board of Directors and approved.

(5) Communication between independent directors and accountants between January 1, 2022 and March 31, 2023

Date	Method	Matter	Communication and implementation results
2022.03.10	Individual meeting	Conclusion of the audit of 2021 financial statements	The accountants met individually with independent directors and reported audit results and key audit matters of the 2021 financial statements, achieving good communication with independent directors.
2022.03.18	Audit Committee Meeting	2021 financial statements	The accountants achieved good communication with independent directors regarding audit results and key audit matters of the 2021 financial statements, which were approved for submission to the Board of Directors for review.
2022.04.22	Audit Committee Meeting	2022 Q1 financial statements	The accountants achieved good communication with independent directors regarding review results of the 2022 Q1 financial statements, which were approved for submission to the Board of Directors.
2022.07.21	Audit Committee Meeting	2022 Q2 financial statements	The accountants achieved good communication with independent directors regarding review results of the 2022 Q2 financial statements, which were approved for submission to the Board of Directors for review.
2022.10.24	Audit Committee Meeting	2022 Q3 financial statements	The accountants achieved good communication with independent directors regarding review results of the 2022 Q3 financial statements, which were approved for submission to the Board of Directors for review.
2022.12.01	Individual meeting	2022 financial statement audit plan and key audit matters	The accountants met individually with independent directors and reported the audit plan and key audit matters of the 2022 financial statements, achieving good communication with independent directors.
2023.03.09	Individual meeting	Conclusion of the audit of 2022 financial statements	The accountants met individually with independent directors and reported audit results and key audit matters of the 2022 financial statements, achieving good communication with independent directors.
2023.03.16	Audit Committee Meeting	2022 financial statements	The accountants achieved good communication with independent directors regarding audit results and key audit matters of the 2022 financial statements, which were approved for submission to the Board of Directors for review.

(IV) Status of corporate governance and deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons

Evaluation Items	Implementation Status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
1. Does the company establish and disclose its corporate governance principles in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies?	✓		The Company established the "AIDC Corporate Governance Guidelines" and uploaded it to the Market Observation Post System and company website. https://www.aidc.com.tw/tw/investor/governance/regulation °	No significant deviation
2. Shareholding structure & shareholders' equity (1) Has the company established internal operating procedures for handling shareholder suggestions, questions, complaints or litigation, and handled related matters accordingly?	✓		The Company convenes shareholders' meetings in accordance with the law. Besides responding to the opinions of shareholders during the meetings, it is recorded in the meeting minutes. The Company has also established a spokesperson system, board of directors mailbox, customer service hotline, and the contact number and e-mail of the spokesperson and deputy spokesperson.	No significant deviation
(2) Does the company have a list of major shareholders that have actual control over the Company and a list of ultimate owners of those major shareholders?	✓		The Company commissioned a professional stock affairs agency to help handle stock affairs of shareholders, and has a list of major shareholders that have actual control over the Company and a list of ultimate owners of those major shareholders.	No significant deviation
(3) Has the company	✓		The Company established the "AIDC Regulations for	No significant

Evaluation Items	Implementation Status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
established and implemented risk management and firewall systems within its conglomerate structure? (4) Does the company have internal regulations in place to prevent its internal staff from trading securities based on information yet to be public on the market?	✓		Financial and Business Transactions between Affiliated Enterprises" and "AIDC Regulations for Supervision and Management of Subsidiaries" as the basis for risk management. The Company established the "AIDC Management Guidelines for Handling Material Information and Prevention of Insider Trading," which was passed by the board of directors. The Company has established an accounting system, internal control system, Code of Ethical Conduct, and Ethical Corporate Management Best Practice Principles to implement ethical corporate management. Responsible departments/personnel perform their duties based on the above. The audit unit formulates annual audit plans based on risk assessment results each year, and audit internal controls accordingly after the plan is approved by the board of directors. The audit unit provides timely improvement recommendations to prevent unethical conduct and ensure the internal control system continues to remain effective.	deviation No significant deviation
3. Composition and duties of the board of directors (1) Has the board of directors devised and implemented a plan for a more diverse composition of the board with concrete management goals?	✓		Pursuant to the Company's Corporate Governance Guidelines and Procedures for Election of Directors, the election of the Company's directors shall take into consideration the composition of the board of directors. Board members shall have the knowledge, skills, and experience necessary to perform their duties and shall possess the abilities to make operational judgments, perform accounting and financial analysis, management ability, crisis management ability, knowledge of the industry, an international perspective, ability to lead, and ability to make policy decisions. We have formulated a board diversity policy and specific management goals based on operational requirements, operating dynamics, and development. The board diversity goals are as follow: 1. Female director (at least 1 seat), 2. Independent directors shall serve no more than three consecutive terms, 3. Labor union	No significant deviation

Evaluation Items	Implementation Status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			representative (at least 2 seats), 4. No more than one third of the Company's directors shall be concurrently held by managers of the Company. In addition to the competencies that board members are required to have to meet diversity goals, the Company also values harmony between labor and management, stable labor-management relations, gender equality, and independence, including the appointment of labor representative directors, female directors, and consecutive terms of independent directors, and director seats concurrently held by managers of the Company. The implementation status of diversity management goals are as follows: 1. The Company 11 directors, in which 3 or 27% are independent directors. The Company has 1 female director (9.09%) who is an independent director and 10 male directors (90.91%); 3 directors (27.27%) are also employees (1 manager and 2 labor union representatives). The average age of all directors is 60.82 years old (5 directors are 50-59 years old and 6 directors are 60-69 years old). Independent directors that have held the position for consecutive terms include Executive and Independent Director Chan for 4.7 years, Independent Director Chen for 4.7 years, and Independent Director Lien for 3.8 years. None of the independent directors has served more than three consecutive terms. 2. The Company's directors have the abilities to perform their duties as a director, and directors with an expertise in business judgment, business administration, crisis management, and leadership and decision-making include Chairman Hu, Executive Director Ma, Director Liu, Director Chang, Director Shieu, Director Hsiao, Director Cheng, Executive and Independent Director Chan, Independent Director Chen, and Independent Director Lien. Directors with an expertise in the aerospace industry and have an international market perspective include Chairman Hu, Executive Director Ma, Director Shieu, Director Hsiao, Director Lee, and Director Cheng. Executive and Independent Director Chan is an expert in accounting. Director Chang, Independent Director Chen, and Independent Director Lien are legal	

Evaluation Items	Implementation Status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
(2) In addition to establishing a	✓		experts. Directors have held important positions in industry, government, academia, research institutes, and law firms. For example, Chairman Hu was formerly the Vice Chief of the General Staff, Ministry of National Defense (MND); Executive Director Ma was formerly the Vice President, National Chung-Shan Institute of Science and Technology (NCSIST) and is currently the president of AIDC; Director Liu is currently the Director of the State-owned Enterprise Commission Affairs, MOEA; Director Chang is currently the Executive Secretary of the Investment Commission, MOEA; Director General, DOIS, MOEA; Director Cheng is currently the Deputy Chief of Staff (Executive), General Staff Headquarter, Ministry of National Defense (MND). Representatives of academia include Director Shieu, who is the president of National Chung Hsing University, Executive and Independent Director Chang, who is the vice president of Tunghai University, and Independent Director Chen, who is an associate professor at the Department of Financial and Economic Law of Chung Yuan Christian University. Independent Director Lien is currently a practicing lawyer. Furthermore, Independent Director Lien, Executive and Independent Director Chan, and Director Liu concurrently hold the position of independent director at other financial institutions or director at other public companies. The Company's board members have diverse and complementing expertise and experience, and continue to dedicate efforts to achieving goals set in the Corporate Governance 3.0 -Sustainable Development Roadmap. For the expertise and experience that board members are required to have and the specific management goals under the board diversity policy, please refer to II. (I) Directors of this chapter and the company website. https://www.aidc.com.tw/tw/investor/governance/board	No significant deviation
			1. The Company's board of directors approved the establishment of an Information Security Committee	

Evaluation Items	Implementation Status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons																		
	Yes	No	Summary																			
Remuneration Committee and an Audit Committee, which are required by law, is the company willing to voluntarily establish other types of functional committees?			on December 18, 2020 to ensure the appropriateness of information security management operations. The term of the 9th-term board of directors Information Security Committee is from November 5, 2021 to August 12, 2024. The committee consists of 5 members, in which 3 are independent directors. Independent Director Lien, Li-Jen serves as the convener of the committee, and Members Chuang, Jennifer (vice president) and Li, Wei-Pin (professor) have an expertise in information security. <table><tr><th>Title</th><th>Name</th><th>Has an expertise in cybersecurity</th></tr><tr><td>Convener (Independent Director)</td><td>Lien, Li-Jen</td><td></td></tr><tr><td>Committee member (Independent Director)</td><td>Chan, Chia-Chang</td><td></td></tr><tr><td>Committee member (Independent Director)</td><td>Chen, Yin-Chin</td><td></td></tr><tr><td>Committee member (Vice president)</td><td>Chuang, Jennifer</td><td>✓</td></tr><tr><td>Committee member (Computer engineering professor)</td><td>Li, Wei-Pin</td><td>✓</td></tr></table>	Title	Name	Has an expertise in cybersecurity	Convener (Independent Director)	Lien, Li-Jen		Committee member (Independent Director)	Chan, Chia-Chang		Committee member (Independent Director)	Chen, Yin-Chin		Committee member (Vice president)	Chuang, Jennifer	✓	Committee member (Computer engineering professor)	Li, Wei-Pin	✓	
Title	Name	Has an expertise in cybersecurity																				
Convener (Independent Director)	Lien, Li-Jen																					
Committee member (Independent Director)	Chan, Chia-Chang																					
Committee member (Independent Director)	Chen, Yin-Chin																					
Committee member (Vice president)	Chuang, Jennifer	✓																				
Committee member (Computer engineering professor)	Li, Wei-Pin	✓																				
(3) Has the company established guidelines and methods for	✓		2. Committee function and power: (1) Review the cybersecurity policy. (2) Examine the cybersecurity management system. (3) Review the results of the annual information security promotion plan. (4) Review major information security incidents and take response measures. The Information Security Management Team takes emergency response measures when a major information security incident occurs, and submits a report to the Information Security Committee within two weeks for acknowledgment. 3. Operations: A total of 2 Information Security Committee meetings were convened in 2022. The Company established Regulations Governing Board Performance Evaluations and evaluation methods according to Article 37 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed	No significant deviation																		

Evaluation Items	Implementation Status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
evaluating the performance of the board of directors, conducted performance evaluation annually, reported the results to the board, and used the results as a reference for the remuneration, nomination, and reelection of individual directors?			Companies, and reported the regulations on August 14, 2019 according to Announcement Tai-Zheng-Zhi-Li-Zi No. 1070025395 of TWSE. See the company website for Regulations Governing Board Performance Evaluations: https://www.aidc.com.tw/tw/investor/governance/regulation Implementation status in 2022 is as follows: 1. The Company's Board performance evaluation indicators were established based on the Company's operations, and the indicators are periodically reviewed by the Remuneration Committee. The Company periodically conducts Board performance evaluations each year, and evaluation results are required to be completed before the end of Q1 the following year. Methods are reported, reviewed, and improved by the Board of Directors, and used as the basis for determining directors' remuneration. 2. In the Company's 2022 board of directors, board member, and functional committee (Audit Committee, Remuneration Committee, and Information Security Committee) performance self-evaluations, the average score was 4.96-4.94 (between 5 points "strongly agree" and 4 points "agree"). This shows that the board of directors operates well as a whole and complies with corporate governance regulations. Directors hold a positive opinion of the results of evaluation indicators for the performance of their duties. Functional committees under the Board of Directors operate well as a whole and are accountable to the Board of Directors. The committees set high standards for themselves and all meet corporate governance requirements, effectively serving the functions of the Board of Directors while protecting shareholders' equity. After reviewing the performance evaluation results, improvement methods to continue improving corporate governance are as follows: (1) Board of Directors: Continue to improve the board's decision-making quality, and improve the completeness and timeliness of board information. Examine regulations that require	

Evaluation Items	Implementation Status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
(4) Does the company regularly evaluate the independence of CPAs?	✓		compliance according to the Company's business plan, and link it to the schedule of board meetings to start internal evaluation and review or communication sooner. (2) Board members: Improve the completeness of information on agenda items, describe supplement procedures, provide references, assist directors with evaluating and supervising the Company's existing or potential operating risks, and provide reference for decision-making. Results of the Company's 2022 Board performance evaluation (including methods for making improvements) were reported during the Board meeting on March 27, 2023 and submitted to the Remuneration Committee, and are announced on the company website. https://www.aidc.com.tw/Content/File/PAR.pdf 3. Board performance in 2022 was evaluated based on overall performance. Based on the Company's goal achievement, Article 28 of the Articles of Incorporation, and performance evaluation results, 0.58% of pre-tax profit was allocated as the Company's 2022 directors' remuneration. The Company established an Audit Committee in June 2015, and one of the main purposes of the committee is to supervise the independence and performance of the accountants. The Company's Audit Committee evaluates the independence and competence of the accountants through the following procedures once a year, and reports evaluation results to the board of directors. 1. The questionnaire (major items include the independence, audit experience, and expertise of the accountant audit team, penalties imposed after external inspections, replacement of accountants, ratio of audit/non-audit services, and implementation status) used for evaluation is prepared after referencing the Audit Quality Indicators (AQIs) and "Integrity, Objectivity and Independence" in Bulletin No. 10 of the Norm of	No significant deviation

Evaluation Items	Implementation Status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			Professional Ethics for Certified Public Accountant of the Republic of China. The independence statement of the accountants are provided along with the questionnaire for directors and heads of management departments to conduct an evaluation, and then evaluation results on the independence and competence of the accountants is summarized. 2. Verify that the same accountant has not provided certification services for longer than seven consecutive years, does not have other financial interests and business relationships, and was not imposed any penalties or has conditions that damage their independence. 3. Evaluation results for the independence and competence of the accountants in the most recent year (2022) were submitted to the Company's Audit Committee on October 24, 2022 and approved by the board of directors on November 7, 2022.	
4. Does the public company have a suitable number of competent corporate governance personnel, and has it appointed a corporate governance supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their duties, assisting directors and supervisors with regulatory compliance,	✓		The Company established the Chairman's Office according to the charter, and the office was designated by the board of directors to handle meeting affairs according to the Regulations Governing Procedure for Board of Directors Meetings of Public Companies. Chen, Tsung-Hung, Chief of the Chairman's Office, was appointed by the Board of Directors as the corporate governance officer. The Company's Chairman's Office has dedicated personnel for handling matters related to board meetings and shareholders' meetings in accordance with the law. The office provides directors with data required for performing their duties, assists directors with compliance, handles change of registration, and promotes corporate governance affairs to strengthen board functions. The office promotes continual improvement of the Company's corporate governance, protects shareholders' rights and interests, and enhances board functions. Chen, Tsung-Hung was appointed as Chief of the Chairman's Office and has supervised and managed corporate governance related affairs of board meetings and shareholders' meetings for more than five years, which meets the requirements for corporate governance officer set forth in Article 23 of the Taiwan	No significant deviation

Evaluation Items	Implementation Status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons														
	Yes	No	Summary															
handling matters related to Board meetings and shareholders' meetings, handling company registration and change of registration, and preparing proceedings for Board meetings and shareholders' meetings)?			Stock Exchange Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers. In accordance with Article 24 of the Taiwan Stock Exchange Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers, 12 hours of professional continuing education was completed in 2022: <table><tr><th>Date</th><th>Host by</th><th>Course Title</th><th>Hours of Training</th></tr><tr><td>2022/03/24</td><td rowspan="3">Accounting Research and Development Foundation</td><td>Insider trading cases and legal liabilities</td><td>3</td></tr><tr><td>2022/04/27</td><td>Reading TCFD reports: Understanding key information</td><td>3</td></tr><tr><td>2022/06/07</td><td>Practical Measures for Improving the Three Lines of Defense for Internal Control</td><td>6</td></tr></table> The Company's implementation of corporate governance in 2022 is as follows: 1. Handled matters related to board meetings and shareholders' meetings during the year in accordance with the law. 2. Prepared and distributed or announced minutes of board meetings and shareholders' meetings during the year in accordance with the law. 3. Requested the review and amendment of company rules and regulations in response to amendments to laws and regulations, and submitted the amendments to the board of directors for review and approval, in order to ensure the effectiveness of the Company's internal control system. Implemented corporate governance according to the Corporate Governance 3.0 - Sustainable Development Roadmap. 4. The corporate governance officer and dedicated personnel of the Chairman's Office, who are responsible for procedure, are responsible for providing documents and support required by directors, so that directors will be able to smoothly perform their duties. This also benefits smooth communication between directors and management. 5. The board of directors on 2022/01/21 approved the	Date	Host by	Course Title	Hours of Training	2022/03/24	Accounting Research and Development Foundation	Insider trading cases and legal liabilities	3	2022/04/27	Reading TCFD reports: Understanding key information	3	2022/06/07	Practical Measures for Improving the Three Lines of Defense for Internal Control	6	
Date	Host by	Course Title	Hours of Training															
2022/03/24	Accounting Research and Development Foundation	Insider trading cases and legal liabilities	3															
2022/04/27		Reading TCFD reports: Understanding key information	3															
2022/06/07		Practical Measures for Improving the Three Lines of Defense for Internal Control	6															

Evaluation Items	Implementation Status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			proposal to convene the 2022 annual general meeting. 6. The Remuneration Committee submitted the Company's 2021 board performance evaluation results and review and improvement report on March 17, 2022. 7. The board of directors submitted the Company's 2021 Board performance evaluation results and review and improvement report on March 28, 2022. 8. The board of directors on March 28, 2022 passed the amendment to the Articles of Incorporation, which allows shareholders' meetings to be convened via video conferencing, and the proposal to use video conferencing in the 2022 Annual General Meeting. 9. The board of directors submitted a report on GHG inventory and verification plans and the information security management report of the Information Security Committee on May 6, 2022. 10. The Board of Directors passed the Company's 2022 Q1 financial statements and proposed amendment to the Company's Corporate Social Responsibility Best Practice Principles on May 6, 2022. 11. The Board of Directors on August 5, 2022 submitted a report on the GHG inventory and status of verification, change of representative of institutional director NDIDF, report on liability insurance for directors and managers in 2022, and report on corporate governance evaluation results for 2021. 12. The Board of Directors passed the Company's 2022 Q2 financial statements and proposed amendment to the Company's Corporate Governance Guidelines on August 5, 2022. 13. Independent directors separately communicated with the chief auditor/accountants on March 10, 2022. 14. The Board of Directors on November 7, 2022 submitted a report on the status of the Company's (including subsidiaries) GHG inventory verification and subsequent plans, and a report on the independence and suitability of the Company's accountants in 2022. 15. The Board of Directors passed the Company's 2022	

Evaluation Items	Implementation Status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			Q3 financial statements and proposed amendment to the Company's Rules of Procedure for Shareholders' Meetings on November 7, 2022. 16. Independent directors separately communicated with the chief auditor/accountants on December 1, 2022. 17. The Board of Directors passed the proposed amendment to the Company's Rules of Procedure for Board of Directors Meetings and the amendment to the Company's Procedures for Acquisition and Disposal of Assets on December 16, 2022. 18. Provided explanations to newly appointed directors to help them comply with the law and notes, and explained the Company's current status of operations and important rules and regulations, so as to help directors understand their duties and the Company's operations. 19. Operating procedures of the Company for handling directors' requests, handled requests of directors for performing their duties, and provided directors with appropriate information in a timely manner, so that they can fulfill their duties. 20. Irregularly provided directors with information on continuing education, corporate governance related events, and legal information to help directors pay attention to compliance. 21. Continue to urge the management department to comply with the law and internal control system, and report the Company's important financial and operational issues to the board of directors, or request review and approval to ensure that there are no compliance issues with the Company's management. 22. Urged the management department to complete regular or irregular announcements and reports each year, and complete announcements of related information in accordance with the Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities, meeting requirements on transparency of corporate governance information while ensuring trading	

Evaluation Items	Implementation Status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			information for investors. 23. Handle change of registration in accordance with the law, and properly manage and ensure the effectiveness of the company registration certificate. 24. For the Company's implementation of corporate governance and important resolutions of the board of directors, please refer to the Market Observation Post System and company website. https://www.aidc.com.tw/tw/investor	
5. Does the Company have communication channels with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), a stakeholder section on the Company website, and properly respond to important CSR issues of concern to stakeholders?	✓		The Company's website has a "Stakeholders" section under "Corporate Social Responsibility." https://www.aidc.com.tw/tw/cse/stakeholder Properly respond to topics of concern to shareholders (including but not limited to shareholders, employees, customers, and suppliers) and important CSR issues, periodically report to the board of directors at the beginning of the year, and describe the implementation status each quarter.	No significant deviation
6. Has the company designated a professional shareholder service agency to deal with matters of the shareholders' meeting?	✓		The Company has appointed Grand Fortune Securities Co., Ltd. to handle matters of its shareholders' meetings.	No significant deviation
7. Information disclosure (1) Has the company established a corporate website to disclose information	✓		The Company's website has an "Investor Section" and "Corporate Governance Section" that provides information on the Company's financial position and corporate governance for access by stakeholders. Website: https://www.aidc.com.tw/tw/investor and https://www.aidc.com.tw/tw/investor/governance/principle.	No significant deviation

Evaluation Items	Implementation Status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
regarding the company's financial, business and corporate governance status? (2) Has the company established other information disclosure channels (e.g., maintaining an English-language website, appointing responsible people to handle information collection and disclosure, appointing spokespersons, or webcasting investor conferences on the company website)?	✓		The Company has dedicated personnel to collect information and handle disclosures on the company website (https://www.aidc.com.tw/tw/) and also set up an English website. We also established a spokesperson system to handle related matters. There is also an "Investor Conference" section on the website to disclose information related to investor conferences. English website: https://www.aidc.com.tw/en/ Investor conference https://www.aidc.com.tw/tw/investor/conference	No significant deviation
(3) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?		✓	The Company's annual financial statements, Q1, Q2, and Q3 financial statements, as well as monthly operation results, are announced on the Market Observation Post System before the end of March the following year, within 45 days after the end of each quarter, and before the 10th of the following month according to requirements.	Annual financial statements were not announced early before the end of February the following year

Evaluation Items	Implementation Status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✓		Employee rights and employee care: 1. The Company has a labor union and labor-management meeting mechanism to provide a platform for two-way communication. 2. The Company also established an Employee Welfare Committee responsible for the implementation of employee benefits. 3. Employment of people with physical and mental disabilities. Investor relations: The Company discloses information on the Market Observation Post System in accordance with laws and regulations, and appointed a spokesperson and deputy spokesperson to handle related matters, in order to maintain good relationships between investors and the Company. Supplier relations: The Company has good relationships with suppliers, and periodically convenes supplier meetings to exchange opinions. We require suppliers to comply with regulations related to EHS issues and jointly fulfill our corporate social responsibility. Stakeholders' rights: The Company has a spokesperson system to provide a channel for communicating with stakeholders. We also provide information on our business performance and financial position in the "Company News" and "Corporate Governance" sections of the company website. Continuing education of directors: The Company's directors and corporate governance officer continues to gain new knowledge of corporate governance by taking continuing education courses according to the Guidelines for the Continuing Education for Directors of TWSE/TPEX Listed Companies. See the Market Observation Post System and this annual report for details on continuing education of directors in 2022. Implementation of risk management policies and risk measurement standards: The Company has established Risk Management Rules and also established a Risk Management Committee. Before the end of each year,	No significant deviation

Evaluation Items	Implementation Status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			the management department formulates the annual risk management plan, including the risk policy, risk profile, risk management items, and risk response measures, based on the Company's operational strategies and goals and risk management policy. The results shall be reported to the Risk Management Committee for review and included in the business plan for approval by the Board of Directors. The implementation status of risk management is disclosed in the "Risk Management Policy" section https://www.aidc.com.tw/tw/investor/governance/riskmanagement Customer policy implementation: The Company has a dedicated unit for handling customer affairs. Liability insurance for directors and managers: The Company has purchased liability insurance for all directors and managers every year since 2014. Pursuant to Article 39 of the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, the insured amount, coverage, and premium rate of liability insurance for the Company's directors in 2022 were reported during the board meeting on August 5, 2022. Please refer to the Market Observation Post System and the description of liability insurance for directors and managers in this section for details.	

9. Specify the improvement of corporate governance with reference to the corporate governance evaluation by the Corporate Governance Center of Taiwan Stock Exchange Corporation in the most recent year, and the measures prioritized for issues that require improvement:

(1)Improvements already made in 2022:

- Amended internal regulations to prohibit insider trading, and included provisions that prohibit directors from trading their shares during the lock-up period, which is within 30 days before annual financial statements are announced and within 15 days before quarterly financial statements are announced.
- Current directors and supervisors all meet requirements on number of continuing education hours before the end of 2022.
- SASB Standards were referenced for disclosing ESG information in the Sustainable Development Report.
- Implement greenhouse gas inventory certification for Taichung, Sha-Lu, and Kang-Shan Complexes, and achieve third-party verification of GHG emissions for two consecutive years.
- The Annual General Meeting was held in person and via video conferencing on May 27, 2022.

(2)Priority matters the require strengthening and measures in 2023:

Evaluation Items	Implementation Status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
• Upload changes in shareholding of insiders to the Market Observation Post System before the 10th (inclusive) of each month. • Shareholders' meetings are live streamed or continuous audio and video recordings are uploaded afterwards. • Promote the Company's carbon neutrality goals and management measures. • Disclosure of other measures to strengthen corporate governance in coordination with the FSC.				

(V) If the Company established an Remuneration Committee, disclose its composition, duties, and operations

1. Members of the Remuneration Committee:

Identity	Name	Criteria	Professional Qualifications and Experiences	Independence	Number of other public companies in which the member also serves as a member of their Remuneration Committee
Executive and Independent Director (Convener)	Chan, Chia-Chang		Refer to the contents of (I) 2. Directors (II) on page 18.	Same as the left	1
Independent Director	Chen, Yin-Chin		Refer to the contents of (I) 2. Directors (II) on page 19.	Same as the left	0
Independent Director	Lien, Li-Jen		Refer to the contents of (I) 2. Directors (II) on page 50.	Same as the left	1

2. Operations of the Remuneration Committee:

- (1) The Remuneration Committee of the 9th-term Board of Directors has 3 members formed by independent directors with the term: November 5, 2021 to August 12, 2024.
- (2) The Remuneration Committee of the 9th-term Board of Directors convened 1 meeting between November 5 and December 31, 2021, and convened 3 meetings between January 1 and December 31, 2022.
- (3) The Committee shall exercise the due care of a good administrator, faithfully perform the following duties, and submit proposals to the Board of Directors for discussion.
 - Regularly review the Remuneration Committee Charter and recommend amendments.
 - Set and review regularly the annual and long-term performance targets for directors and managers and the remuneration policies, systems, standards, and structures.
 - Regularly evaluate the Company's performance goals for directors and managers to determine the contents and amounts of their individual remuneration.

Attendance of committee members between November 5, 2021 and December 31, 2022 is as follows:

Title	Name	Required attendance	Attendance in Person	By Proxy	Attendance rate (%)	Remark
Convener	Chan, Chia-Chang	4	4	0	100%	9th-term Remuneration Committee
Committee member	Chen, Yin-Chin	4	4	0	100%	9th-term Remuneration Committee
Committee member	Lien, Li-Jen	4	4	0	100%	9th-term Remuneration Committee

Note:

1. If a Remuneration Committee member is separated before the end of the year, specify the date of separation in the remarks, and calculate actual attendance rate (%) based on the number of meetings convened during the Remuneration Committee's term and actual attendance.
2. If the Remuneration Committee is reelected before the end of the year, list new and old Remuneration Committee members, and specify if the member is old, new, or reelected and the reelection date in the remarks. Actual attendance rate (%) is calculated based on the number of Remuneration Committee meetings convened during the member's term and actual attendance.
3. Other disclosures.

Remuneration Meeting Date/Term	Content of proposal	Remuneration Committee Resolution	The Company's response to Remuneration Committee opinions
2021.12.3 1st Remuneration Committee Meeting of the 9th-term Board of Directors	Reports: Report on matters of concern in the 7th Remuneration Committee Meeting of the 8th-term Board of Directors.	Agreed with the method of the responsible unit.	None
2022.3.17 2nd Remuneration Committee Meeting of the 9th-term Board of Directors	Reports: Report 1: Status of matters of concern in the 1st Remuneration Committee Meeting of the 9th-term Board of Directors Report 2: The Company's 2021 Board Performance Evaluation Results Report	Agreed with the method of the responsible unit.	None
	Discussions: Proposal 1: Proposal to establish the Company's 2022 Board performance evaluation indicators Proposal 2: Proposed distribution of 2021 employee bonuses and directors' remuneration. Proposal 3:	Approved for submission to the Board of Directors for review.	Approved by the Board of Directors.

Remuneration Meeting Date/Term	Content of proposal	Remuneration Committee Resolution	The Company's response to Remuneration Committee opinions
	Proposed distribution of 2021 bonuses to the Company's chairman, president, vice presidents, and managers. Proposal 4: Proposed principles for distribution of 2022 bonuses to the Company's chairman, president, vice presidents, and managers.		
2022.5.18 3rd Remuneration Committee Meeting of the 9th-term Board of Directors	Reports: Status of matters of concern in the 2nd Remuneration Committee Meeting of the 9th-term Board of Directors	Agreed with the method of the responsible unit.	None
	Discussions: Proposal 1: Proposed salary raises in 2022. Proposal 2: Proposed salary raises for the Company's chairman and president	Approved for submission to the Board of Directors for review.	Approved by the Board of Directors.
2022.12.1 4th Remuneration Committee Meeting of the 9th-term Board of Directors	Reports: Report 1: Status of matters of concern in the 3rd Remuneration Committee Meeting of the 9th-term Board of Directors Report 2: The Company's performance bonus report	Agreed with the method of the responsible unit.	None
	Discussions: Proposal 1: Proposed distribution of 2022 employee bonuses and directors' remuneration.	Agreed with the method of the responsible unit.	None
	Discussions: Proposal 2: Proposed principles for distribution of 2023 bonuses to the Company's chairman, president, vice presidents, and managers.	Approved for submission to the Board of Directors for review.	Approved by the Board of Directors.

(VI) Sustainable Development implementation and deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the reason for such deviations

Implementation items	Implementation status (Note 1)			Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
1. Has the Company established a governance framework to promote sustainable development and a dedicated department (or have another department be responsible for related efforts) for fulfilling sustainable development, with the board of directors authorizing high-level managers to handle such efforts, and having relevant progress be supervised by the board of directors?	✓		1. AIDC has always been committed to promoting corporate governance, developing a sustainable environment, and safeguarding social welfare. To make the implementation of sustainability efforts more effective, AIDC established the "Corporate Social Responsibility Advisory Committee" in 2018 as the highest level decision-making center for sustainable development. The chairman of the Board of Directors serves as the chair of the committee, and the president, vice presidents and level-1 executives responsible for the Company's ESG-related issues serve as members. The Committee assesses major economic, environmental, and social issues, formulates mid-term and long-term sustainable development plans, and provides advice on the implementation of ESG. In response to international development trends and to expand CSR to sustainability, the committee was renamed the ESG Committee in December 2021. 2. Implementation status in 2022: (1) The president convenes a meeting of senior managers (tier 1 and above) each month to review carbon neutrality work items (2) Established and announced the Sustainability Report Compilation and Verification Operating Procedures (3) Identified climate change related risks and opportunities (TCFD) in 2023 and response measures for material issues, which were submitted to the Board of Directors for approval. (4) Completed the GHG inventory and third party verification for a complexes, and reported the GHG inventory and verification plans of the parent company and subsidiaries to the Board of Directors. (5) Published a Sustainability Report and carried out material issue identification once every 2 years. (6) Continue to monitor international trends in net zero carbon emissions, and make rolling adjustments to the Company's short-term, mid-term, and long-term goals. 3. The ESG Committee has 5 work groups, namely the Corporate Governance Work Group, Employee Care	No significant deviation

Implementation items	Implementation status (Note 1)			Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			Work Group, Social Participation Work Group, Carbon Neutrality Work Group, and ESG Work Group. The work groups are all cross-departmental task forces that identify sustainability issues of concern to stakeholders, and formulate and implement strategies. The ESG Work Group is the secretarial unit of the Committee and held by the Company's management department. The ESG Work Group is responsible for formulating implementation plans, systems, and management approach, and reports the implementation status to the Board of Directors each quarter, including implementation results sustainability issues, communication with and management of stakeholders, and response measures for TCFD and material issues. After board supervision, urging, and recommendations, the Company completed the following sustainability related matters in 2022 and 2023 Q1: (1) Promotion of ESG reports in the Company to provide instructions related to ESG regulations and implementation. (2) Revised contents of the "AIDC Sustainable Development (ESG) Best Practice Principles": (3) Supervised the Company in completing a review report on results of the 8th Corporate Governance Evaluation in 2021, and provided improvement recommendations and instructions. (4) Instructed material issue identification results in the Company's sustainability report. 4. The Company's sustainable development governance framework is disclosed on the company website: http://www.aidc.com.tw/tw/cse	
2. Does the company perform assessments of risks in environmental, social, and corporate governance issues relevant to its business activities and devise risk	✓		1. The data disclosed covers the sustainable development performance of main locations between January and December 2022. The risk assessment boundary is mainly limited to Taiwan, including Taichung, Sha-Lu, and Kang-Shan Complexes. 2. The ESG Committee conducts analysis based on the materiality principle of the sustainability report, communicates with internal and external stakeholders, and references international trends and characteristics of the defense and aerospace industries. The Committee evaluates the materiality of ESG issues on this basis, formulates risk management policies, and takes specific actions to reduce the impact of related risks.	No significant deviation

Implementation items	Implementation status (Note 1)			Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons		
	Yes	No	Summary			
management policies and strategies accordingly? (Note 2)			Material issue	Risk assessment item	Risk management policy or strategy	
			Corporate governance	Operation and financial performance	● Continuous growth in revenue and net profit ● Optimization of the Company's financial structure	
				Ethical Corporate Management and Compliance	● Communication of the ethics policy. ● Request suppliers to comply with the Company's ethics policy and ethical standards before they may submit bids. Implement supplier questionnaire surveys each year to evaluate related corruption risks. ● The Company set up the "anti-corruption whistleblowing mailbox" for employees and external individuals to file anonymous reports and publish results on the Company's internal and external websites.	
				Product quality/technology R&D	Uphold AIDC's quality policy of "quality assurance by all personnel for customer satisfaction", and ensure that the business development, design, R&D, manufacturing, assembly, maintenance and repairs, and services of aerospace products meet the customers' quality requirements, AS9100 quality management system standards, and civil aviation regulations. Continue innovation and development of smart manufacturing to attain the ultimate goals for customer satisfaction and expectations.	
				Cybersecurity and Customer Privacy	● Continue to improve information security and customer privacy protection. All related operations must meet international requirements and standards. The Company shall also review whether they comply with regulatory compliance trends.	

Implementation items	Implementation status (Note 1)			Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons	
	Yes	No	Summary		
				● Successfully passed the periodic audit of ISO 27001 in 2022.	
			Supplier management	● Assist contractors in obtaining AS9100 certification ● Assist in process certification ● Use green participation in the supplier conference to gradually create a sustainable supply chain	
			indigenous production of aircraft	● Set important milestones for each phase based on contracts ● The Company convenes internal management meetings, and external project management meetings and construction progress review meetings with customers to facilitate prompt reviews, solutions, and implementation.	
		Environment	Green product /services design and development	● Expand the participation of ADIC's solar power and energy storage systems in electricity trading services. ● Develop renewable energy electricity generation and energy storage facilities for major electricity users. ● In response to the government policy to increase gas and reduce coal use, encourage domestic power plants to transition to gas-fired power plants.	
			Energy and GHG management	Implement energy conservation and carbon reduction measures, improve energy use according to ISO 50001, and carry out GHG inventory and third party verification for all complexes.	
			Waste Management	Carry out waste management according to government regulations, and set the goal to reuse 35% and above of waste in each complex.	
			Climate change response	Based on the evaluation procedures for climate related risks and opportunities (TCFD), complete an "image of climate-related risks and opportunities" and response measures to	

Implementation items	Implementation status (Note 1)			Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
			material issues before the end of each year, report it to the Risk Management Committee for review, include it in the business plan submitted to the Board of Directors for approval, and then follow up on implementation results. Social Talent recruitment and retention ● An open selection is held for talent recruitment, different education requirements are set for different positions, there are no gender restrictions, and people with disabilities and indigenous peoples are given additional points to provide the underprivileged with employment opportunities. ● Continue to develop a diverse workplace environment, establish the Company's training quality system according to the TTQS, assist employees with improving their job skills, and provide a friendly work environment. Occupational safety and health Comply with government regulations and meet international standards to continue to improve health and safety performance. Set up a health management system to provide early warning information and launch health promotion activities to enhance employees' work and life balance. The data above is disclosed on the company website: http://www.aidc.com.tw/tw/cse	
3. Environmental issues (1) Has the company developed an appropriate environmental management	✓		1. The Company's environmental management measures comply with the environmental policy, all complexes implement ISO 14001 and carry out follow-up audits every year to maintain the system's effectiveness. The GHG inventory is compiled according to ISO 14064-1 and third party verification is also carried out. 2. The implementation status is as follows: (7)The Company obtained the ISO 14001 qualification	No significant deviation

Implementation items	Implementation status (Note 1)			Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
system, given its distinctive characteristics ? (2) Is the company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment?	✓		certificate for the first time in 1999, and passed SGS verification for reissuance of the ISO 14001 Environmental Management Systems certificate in October 2021; the certificate is valid until October 2024. (8) Completed ISO 14064-1 GHG inventory and obtained third-party verification certificates all complexes (Taichung, Sha-Lu, and Kang-Shan) in 2022. 3. The Company's environmental management results and data are disclosed in the Sustainability Report and on the company website. Website: https://www.aidc.com.tw/tw/cse/environment The Company has established an energy policy and implements a variety of energy conservation and carbon reduction measures, such as purchasing energy-efficient products. The Company set the following goals in coordination with its sustainable development policy. ● Electricity consumption intensity: Company-wide electricity consumption intensity in 2023 decreases 5% compared to 2022 (4,516; Unit: kWh/sales value in NT\$ million). ● Waste reuse rate: Reuse rate in each complex increases to 35% and above in 2023. ● Continue to engage in green procurement in coordination with the Environmental Protection Administration, and make green procurements for 100% of green procurement items in 2022. ● Install solar power generation facilities and increase renewable energy use in the Company to 100%. ● Dedicate efforts to the development of eco-friendly processes, use non-toxic materials, and reduce the environmental load from hazardous substances generated in processes.	No significant deviation
(3) Does the Company evaluate the potential risks and opportunities in climate change with regard to the	✓		The "ESG Committee" is the Company's highest level organization for managing climate change. The chairman serves as the chair of the committee, and the president, vice presidents and level-1 executives responsible for the Company's ESG-related issues serve as members for reviewing climate-related strategies. Climate change identification, assessment, and response plans are carried out by the Carbon Neutrality Work Group according to the TCFD framework. The work group analyzes the governance,	No significant deviation

Implementation items	Implementation status (Note 1)			Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons															
	Yes	No	Summary																
present and future of its business, and take appropriate action to counter climate change issues? (4) Does the company compile statistics of greenhouse gas emissions, water use, and total weight of waste in the past two years, and does it establish policies for energy conservation & carbon reduction, greenhouse gas emission, water use reduction, and other waste management?	✓		strategies, risk management, indicators, and goals related to climate change risks and opportunities. The Company identified climate change related risks and opportunities (TCFD) in 2023 and response measures for material issues, which were submitted to the Board of Directors for approval. See (VII) Climate-related Information of TWSE/TPEX Listed Companies and the company website for details. https://www.aidc.com.tw/tw/cse/environment 1. Since 2012, AIDC has established environmental accounting regulations in accordance with ISO 14064-1 and the GHG Protocol to facilitate greenhouse gas inventories. The Company began compiling its GHG inventory and carrying out third party verification according to ISO 14064-1:2018 in 2022 (the data is from 2021). GHG emissions in the past two years are as follows: Unit: Tons <table><tr><th>Scope</th><th>2021</th><th>2022</th></tr><tr><td>Scope 1</td><td>4,781.17</td><td>2,293.9</td></tr><tr><td>Scope 2</td><td>62,246.11</td><td>23147.7</td></tr><tr><td>Scope 3</td><td>23,304.16</td><td>7,823.53</td></tr><tr><td>Total</td><td>90,331.44</td><td>33,265.14</td></tr></table> Note: Total emissions in 2021 is the total for AIDC (Taichung Complex, Sha-Lu Complex, and Kang-Shan Complex). The Taichung Complex and Sha-Lu Complex were still carrying out operations, so only the inventory for the Kang-Shan Complex is listed in 2022 emissions. Scope 2 emissions from electricity are the main source of the Company's GHG emissions, accounting for nearly 70% of GHG emissions. The Company has formulated energy conservation and carbon reduction measures for reducing GHG emissions. The Company has obtained the certificate for third party verification of GHG emissions from all complexes in 2021, and third party verification of GHG emissions in 2022 is currently being carried out. As of March 31, 2023, preliminary GHG inventory data completed by the Company's Kang-Shan Complex is shown in the table above (data for activities in 2022). GHG data for the Taichung and Sha-Lu Complexes was still being prepared and not	Scope	2021	2022	Scope 1	4,781.17	2,293.9	Scope 2	62,246.11	23147.7	Scope 3	23,304.16	7,823.53	Total	90,331.44	33,265.14	No significant deviation
Scope	2021	2022																	
Scope 1	4,781.17	2,293.9																	
Scope 2	62,246.11	23147.7																	
Scope 3	23,304.16	7,823.53																	
Total	90,331.44	33,265.14																	

Implementation items	Implementation status (Note 1)			Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons																								
	Yes	No	Summary																									
			listed in the table. After data for the year passes third party verification, the data will be disclosed on the company website. https://www.aidc.com.tw/tw/cse/environment。 2. Water consumption: The Company's water consumption mainly consists of tap water, rainwater, groundwater, and recycled water. Tap water accounted for 39% of water resource consumption of the Taichung Complex (including Sha-Lu Complex) in 2022. Tap water accounts for 100% of the Kang-Shan Complex's water use. Install a storage tank for process wastewater that goes through RO treatment, in order to increase the percentage of water recycling and reuse. Unit: Tons <table><tr><th>Complex</th><th>2021</th><th>2022</th></tr><tr><td>Taichung (including Sha-Lu)</td><td>1,164,189</td><td>1,299,909</td></tr><tr><td>Kang-Shan</td><td>160,604</td><td>175,181</td></tr><tr><td>Total</td><td>1,324,793</td><td>1,475,090</td></tr></table> 3. Waste recycling: The Company established "Industrial Waste Disposal Regulations" to reduce the potential environmental hazards of waste, and irregularly conducts internal environment audits. All complexes passed the ISO 14001 Environmental Management System certification in 2021, which remains effective in 2022. The Company also set the goal for reuse rate in each complex to increase to 35% and above in 2023, in order to reduce resource waste. Business bounced back as the pandemic subsided in 2022. Even though total waste increased compared with the previous year, waste intensity (metric tons/NT\$1 million in sales value) decreased 13.7% compared with the previous year. Unit: cubic meters/tons <table><tr><th>Type</th><th>2021</th><th>2022</th></tr><tr><td>General industrial waste</td><td>1,660.16</td><td>1,898.08</td></tr><tr><td>Waste with hazardous substances</td><td>456.48</td><td>429.29</td></tr><tr><td>Total</td><td>2,116.64</td><td>2,327.37</td></tr></table> Related information is disclosed in the Sustainability Report. http://www.aidc.com.tw/tw/cse/report	Complex	2021	2022	Taichung (including Sha-Lu)	1,164,189	1,299,909	Kang-Shan	160,604	175,181	Total	1,324,793	1,475,090	Type	2021	2022	General industrial waste	1,660.16	1,898.08	Waste with hazardous substances	456.48	429.29	Total	2,116.64	2,327.37	
Complex	2021	2022																										
Taichung (including Sha-Lu)	1,164,189	1,299,909																										
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General industrial waste	1,660.16	1,898.08																										
Waste with hazardous substances	456.48	429.29																										
Total	2,116.64	2,327.37																										
4. Social issues	✓		1. The Company continues to abide by the Labor Standards																									

Implementation items	Implementation status (Note 1)			Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons								
	Yes	No	Summary									
(1) Has the Company formulated management policies and procedures in accordance with relevant laws and regulations as well as the International Bill of Human Rights?			Act, Employment Service Act, and Act of Gender Equality in Employment, and has established rules and various communication e-mails and hotlines to protect employees' rights and interests. Employees can use any of the channels to express their opinions. Labor-management meetings and Employee Welfare Committee meetings are periodically held to ensure smooth communication channels. AIDC referenced international human rights conventions such as the "United Nations Global Compact," "United Nations Universal Declaration of Human Rights," and "International Labour Organization Declaration of Fundamental Principles and Rights at Work" when establishing the AIDC Human Rights Policy, in order to respect the value and spirit of human rights. Implementation guidelines are as follows: (1) Diversity, inclusion, and equal opportunity. (2) Provide a safe and healthy work environment. (3) Respect employees' freedom of assembly and association. (4) Assist employees in maintaining physical and mental health and attaining balance between work and life. (5) Ban on the use of child labor and forced labor. 2. The Company's human rights management policies and specific programs are as follows: <table><tr><th>Human rights management policy</th><th>Specific programs</th></tr><tr><td>Provide a safe and healthy work environment</td><td> ● Comply with government regulations and meet international standards to continue to improve health and safety performance. ● Set up a health management system to provide early warning information and launch health promotion activities to enhance employees' work and life balance. ● Involvement of all employees, continuous improvement, build happiness, and friendly workplace. </td></tr><tr><td>Eliminate discrimination and ensure equal employment opportunity</td><td>Recruitment of new employees is carried out according to Article 5 of the Employment Service Act, and recruitment personnel receive training to eliminate unlawful discrimination and ensure equal opportunity for job applicants.</td></tr><tr><td>Prohibit the use of child</td><td>The Company does not hire any child labor under the age of 16 referred to in Article 44 of</td></tr></table>	Human rights management policy	Specific programs	Provide a safe and healthy work environment	● Comply with government regulations and meet international standards to continue to improve health and safety performance. ● Set up a health management system to provide early warning information and launch health promotion activities to enhance employees' work and life balance. ● Involvement of all employees, continuous improvement, build happiness, and friendly workplace.	Eliminate discrimination and ensure equal employment opportunity	Recruitment of new employees is carried out according to Article 5 of the Employment Service Act, and recruitment personnel receive training to eliminate unlawful discrimination and ensure equal opportunity for job applicants.	Prohibit the use of child	The Company does not hire any child labor under the age of 16 referred to in Article 44 of	No significant deviation
Human rights management policy	Specific programs											
Provide a safe and healthy work environment	● Comply with government regulations and meet international standards to continue to improve health and safety performance. ● Set up a health management system to provide early warning information and launch health promotion activities to enhance employees' work and life balance. ● Involvement of all employees, continuous improvement, build happiness, and friendly workplace.											
Eliminate discrimination and ensure equal employment opportunity	Recruitment of new employees is carried out according to Article 5 of the Employment Service Act, and recruitment personnel receive training to eliminate unlawful discrimination and ensure equal opportunity for job applicants.											
Prohibit the use of child	The Company does not hire any child labor under the age of 16 referred to in Article 44 of											

Implementation items	Implementation status (Note 1)			Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			labor	the Labor Standards Act.
			Human rights protection training	Promotion of compliance, including topics related to employee rights, such as gender equality, sexual harassment prevention, workplace bullying, theft, and secretly filming. A total of 145 training courses were provided for 4,606 participants who received a total of 4,900 hours of training in 2022.
			Ban on forced labor	- Comply with the labor rights standards in ILO No. 29 Forced Labour Convention and No. 105 Convention Concerning the Abolition of Forced Labour. - Comply with Article 5 of the Labor Standards Act: "No employer shall, by force, coercion, detention, or other illegal means, compel a worker to perform work."
			Assist employees in maintaining physical and mental health and attaining balance between work and life.	- Provide personalized Employee Assistance Program (EAP) - Provide group assistance programs for employees - Please see "Labor-Management Relations" in Chapter 5 Business Overview of this annual report for details.
(2) Does the company establish and implement reasonable employee benefits (including remuneration, leave, and other benefits), and ensure business performance or results are reflected adequately in employee remuneration?	✓		1. The Company views employees as its assets and partners in sustainable growth. We take employee benefits and training very seriously, and are committed to implementing gender equality. There are no differences in employees' salary, performance evaluation, and opportunities for promotions due to gender, and we ensure that employees are not discriminated against, harassed, or treated unfairly due to their race, gender, religious belief, age, political inclination, and other conditions protected by applicable laws. Female employees accounted for 21% of all employees in 2021. Female managers accounted for approximately 19.56% of all managers and 14.08% of senior managers in 2022, in which 2 were vice presidents, accounting for 40% of all vice presidents (5 in total). Furthermore, the Company provides the underprivileged with employment opportunities and creates a friendly employment environment; the number of people with disabilities hired already exceeded the goal. 2. The Company attaches importance to releasing employees' stress in the workplace, and has thus created	

Implementation items	Implementation status (Note 1)			Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
(3) Does the company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and	✓		a diverse and happy workplace environment that offers extensive and in-depth care. This allows employees to take care of their families and mental health when they are not focused on their work, achieving work-life balance. Please see "Labor-Management Relations" in Chapter 5 Business Overview of this annual report for details on the Company's employee benefits, such as parental leave, employee shareholding trust, allowances, and retirement system, which is also disclosed in "Labor-Management Relation" and "Employee Care" on the company website. http://www.aidc.com.tw/tw/cse/employee 3. Article 28 of the Company's Articles of Incorporation stipulates that if the Company makes a profit for the year, it shall allocate no less than 0.58% and no more than 4.65% as employee bonuses. In 2021, 4.65% or NT\$28,432 thousand was allocated as employee bonuses, which was reported to the shareholders' meeting on May 27, 2022, and distribution was completed on July 21, 2022. 4. The Company established the AIDC Performance Bonus Implementation Guidelines, and calculates and distributes employee evaluation bonuses and performance bonuses based on the business performance that year. The principle for allocating and distributing performance bonuses is the portion of pre-tax profit under NT\$1.5 billion × 30% and the portion of pre-tax profit above NT\$1.5 billion × 25%; distribution of evaluation bonuses and performance bonuses was completed on June 16 and 30, 2022. 1. The Company complies with health regulations and policies promulgated by the government, and provides employees with a healthy and safe work environment. We implemented the safety and health management system and management plan, and obtained the ISO 45001 Occupational Health and Safety Management systems certification, which is valid until October 16, 2024. 2. Employee education and training: ● In 2022, AIDC trained 2,914 employees in its safety and health training courses. ● Self-defense fire safety team organization training: The	

Implementation items	Implementation status (Note 1)			Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
health issues?			Company organized 6 sessions in Taichung Complex, Sha-Lu Complex, and Kang-Shan Complex for a total of 1,256 participants. ● Emergency response drills: The Company organized 36 sessions of the self-defense fire safety emergency response drills for a total of 2,240 participants. ● Since the outbreak of COVID-19 in 2020, the Company made rolling adjustments to the direction of epidemic prevention so that employees can work in a safe and healthy work environment. A total of 78 epidemic prevention announcements were made in 2022. 3. A total of 5,242 employees completed general health examinations in 2022; related health examinations and follow-up examinations were provided to employees involved in special operations. 4. The disabling injury frequency rate in Taichung (including Sha-Lu) was 4.8 and Kang-Shan Complex was 1.33 in 2022. Number of occupational injuries includes transportation, work, and transportation within complexes, and totaled 118 employees, accounting for 1.72% of employees at the end of 2022. 5. Onsite management: The Company completed the regular inspections of hazardous machinery and equipment in 2022 to ensure the safety of equipment and personnel. The Company has 16 fixed cranes with hoisting capacity of 3 tons or more and 17 sets of special high-pressure gas equipment. 6. Work environment control: The Company appoints institutions approved by the Council of Labor Affairs to conduct inspections on dust, noise, carbon dioxide, organic solvents, and specific chemical substances in the work environment. Two rounds of operating environment inspections were implemented in Taichung, Sha-Lu, Taiwan Advanced Composite Center, and Kang-Shan in 2022.	
(4) Does the company set up effective career development and training programs for	✓		The Company has planned complete professional training for managers and employees, including new employee training, advanced professional training, and manager training, and trains management trainees according to the AIDC Managerial Talent Reserve and Utilization Guidelines. The Company organized 1 senior management strategy camp in 2022, offering courses and engaging in discussions	No significant deviation

Implementation items	Implementation status (Note 1)			Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
its employees?			on future strategy planning. Furthermore, the Company reviews and trains personnel with crucial skills each year based on its business plan and business expansion goals. The Company offered a total of 4,716 physical and online courses for 212,927 participants who accumulated a total of 394,200 hours in 2022.	
(5) Do the company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection or customer rights protection and grievance procedure policies implemented?	✓		The Company is in the aircraft and parts maintenance and manufacturing business, and products sold domestically are required to meet contractual requirements of the ROC Armed Forces. Products that are exported must obtain world class aviation quality standards, including Boeing D6-82479, Airbus AP2190, GEAE S-1000, United Technologies ASQR-01, Honeywell SPOC, MITAC MRJ-SQC-01, Alenia IAYC 05C, Bell QPS100/200/300m and Bombardier QD 4.6-40. The Company established the quality policy of "quality assurance by all personnel for customer satisfaction," and provides a variety of complaint channels, including e-mail, satisfaction survey, and customer visits. we also established a 24-hour customer compliant response mechanism to protect customers' rights and interests.	No significant deviation
(6) Does the company have a supplier management policy, require suppliers to comply with	✓		1. The Company established Supplier Management Guidelines, and supplier evaluations not only include quality and delivery, but also ethics and sustainability issues. If a qualified supplier has obtained ISO 14001 (Environmental Management System), ISO 50001 (Energy Management System), ISO 45001 (Occupational Health and Safety Management System), and TOSHMS	No significant deviation

Implementation items	Implementation status (Note 1)			Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
regulations on environmental protection, occupational safety and health, and labor rights, and what is its implementation status?			(Taiwan Occupational Safety and Health Management System) or other certifications that contribute to society and the environment, the supplier will be included in the list of prioritized suppliers and have the opportunity to receive invitations to participate in the Company's procurement. 2. The Company continues to provide suppliers with training and assistance for process improvements and advancements to help them improve quality, engineering technologies, and management capabilities, so as to reduce cost and increase competitiveness for winning purchase orders. 3. The Company surveyed 10 suppliers with the environmental and safety and health management questionnaire in 2022. The Company maintained overall supervision of positive actions of suppliers and continues to support the sustainable development of the environment.	
5. Does the company prepare sustainability reports and other reports that disclose non-financial information by following international reporting standards or guidelines? Does the company obtain third-party assurance or guarantees for the reports above?	✓		The Company prepared the 2022 AIDC Corporate Sustainability Report according to international standards (the GRI Standard published in 2016), and the report obtained third party assurance from SGS.	No significant deviation
6. If the company has established Sustainable Development Best Practice Principles in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies," describe any discrepancy between the principles and their implementation:				

Implementation items	Implementation status (Note 1)			Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
AIDC Corporate Social Responsibility Best Practice Principles" was amended to "AIDC Corporate Sustainability Best Practice Principles" and passed by the board of directors on May 6, 2022. There is no significant deviation in the amended version from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.				
7. Other important information helpful in understanding the implementation of sustainable development:				
(1) Social care:				
A. After the privatization of AIDC, the Company seeks to provide substantive care for employees and stabilize management rights. After considering the business environment and financial conditions of the Company, we formally began to organize the employee shareholding trust in September 2016 for employees to join at their discretion and select the employee contribution amount. The Company shall provide the company contribution amount proportionally based on the employee contribution amount, and employees have enthusiastically participated.				
B. The Company used a modified and certified aircraft to execute a mission to deploy a sensor (dropsonde) in the outer ring of a typhoon, in order to measure atmospheric information on the typhoon. After academic research and actual implementation results, the accuracy of predictions of typhoon intensity and path has significantly improved. The Central Weather Bureau obtained more accurate forecasts from AIDC's Typhoon Observation Project, which executed 85 flights and observed 69 typhoons from Typhoon Dujuan in 2003 to the end of 2022. This has allowed the government to take more effective disaster prevention measures and significantly reduce the loss of lives and assets of citizens.				
C. The Company utilizes aviation resources to provide aerial medical rescue services. During the COVID-19 pandemic in 2022, the Company completed 7 international emergency flights. The Company completed a total of 136 missions in 44 airports of China (including Hong Kong/Macau), Japan, South Korea, Cambodia, Thailand, the Philippines, Vietnam, and Malaysia between June 2013 and the end of 2022.				
D. The Company promotes comprehensive volunteer services through the AIDC Volunteer Team, and continues to assist the charity events organized by government agencies and organizations for the underprivileged, periodically engaging in wetland ecological conservation, environment development, and care for elderly people living alone in Qieding. We worked with the Dementia Care Association in 2022, and accompanied elderly people with dementia in paper crafts DIY activities to increase their confidence and sense of participation, in order to fulfill our corporation social responsibility. AID participated in 31 charity events in 2022, providing 1,434 volunteers that served 39 organizations and 91,166 participants. We made announcements online and promoted charity events through volunteers in units to encourage employees to make donations, directly and indirectly helping underprivileged groups.				
E. To let students better understand the Company's efforts in improving local education and fulfilling its corporate social responsibility, the Company invited students of Taichung City Fengyuan District Fu Chuen Primary School and Taichung Municipal Hoping Junior High School to visit the Company, and continues to let aerospace education strike root among students in rural areas. AIDC upholds the mission of passing on experience with early aerospace education for children to open up their horizons.				

Implementation items	Implementation status (Note 1)			Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary	
F. A donation event was organized among employees before Chinese New Year, and the funds were donated to Abundant Blessings Community Association of Taiwan, TSZ-Ai Intelligence in Taichung Catholic Development Center, Kaohsiung Autism Foundation, and Exist for Love at the beginning of 2023 to show care for society. G. The Company supports domestic cultural development, and sponsorships and results in 2022 are as follows: (A) Provided gifts for "LOHAS New Taipei Anti-Drug Comic Contest" organized by Chinese Art and Cultural Creative Industries Association, and 321 out of the 1,886 works won prizes. (B) Provided gifts for Kaohsiung Energy Conservation and Anti-Drug Comic Contest organized by Taiwan Comic Culture and Art Development Association, and 336 out of the 2,507 works won prizes. (C) Provided gifts to Taichung City Government for Taichung City Music Town – Shalu Starry Night Concert (D) Sponsored the 2022 Charity Concert of Taichung City Faith, Hope, Love Intelligence Development Center (E) Sponsored the 2022 Performance in Schools in Rural Areas for Youth Sexual Exploitation Prevention of Taiwan Social Care and Charity Service Association, which had 1,602 participants and performed at 10 elementary schools in New Taipei City. (F) A total of 51 excellent works in the "Children Drawing Contest" of Huagang Community Development Association, Gangshan District, Kaohsiung City (G) Provided work to Kaohsiung Museum of History for display in the special exhibition "Measuring A-kong-tiam." H. Community risk assessment and corresponding measures will be disclosed in the sections "Friendly Neighbor" and "Stakeholder Identification and Communication" in the Sustainability Report. (2)Environmental protection: A. The Company continues to implement environmental protection work, and the entire company (Taichung, Sha-Lu, and Kang-Shan Complexes) obtained ISO 14064 GHG Inventory in 2022. We follow the ISO14001 environmental management system to carry out source control and process waste reduction, clean production, green procurement, air pollution prevention, waste water treatment, waste disposal and treatment, toxic chemical substance management, energy conservation, carbon reduction, waste reduction, resource recovery, environmental education, social engagement, and green procurement. We thus won the bronze award in the manufacturing category in the 4th National Enterprise Environmental Protection Award, working together with the government for environmental sustainability. B. The Company is committed to energy conservation and carbon reduction, and upholds the spirit of ISO 50001 Energy Management Systems in energy conservation, such as using low-carbon fuel as alternatives, improving the production process, increasing air and water treatment efficiency, and taking electricity saving and water conservation measures. The Company has thus been recognized with the Silver Award in the 2022 Energy Saving Benchmark Award of the Bureau of Energy, Ministry of Economic Affairs.				

Note 1: If "Yes" was selected, please describe important policies, strategies, measures, and implementation status; If "No" was selected, please explain the reason for discrepancies and describe future policies, strategies, and measures in "Deviations from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and reasons."

For implementation items 1 and 2, public companies must describe their sustainable development governance and supervision framework, including but not limited to formulating the management approach, strategies, and goals, as well as review measures. Describe the Company's risk management policy or strategy and evaluation of ESG issues related to its operations.

Note 2: The principle of materiality means that ESG issues have a material effect on the Company's investors and other stakeholders.

(VII) Climate-related Information of TWSE/TPEx Listed Companies

Item		Implementation status
1.	Describe supervision and governance of climate-related risks and opportunities by the board of directors and management.	Supervision and guidance role of the board of directors in sustainable development (ESG) management strategies. The management department completes an image of TCDF risks and opportunities and response measures for material issues each year, which are submitted to the Risk Management Committee for review and included in the business plan. The business plan is then submitted to the board of directors for approval. A review of implementation results in the previous year are submitted to the board of directors in the first quarter for future reference. Furthermore, the implementation status of ESG (including climate change) related issues are periodically reported to the board of directors along with business reports.
2.	Describe how the climate risks and opportunities identified affect the Company's business, strategies, and financial position (short-term, mid-term, long term).	Material issues of the Company's short-term, mid-term, and long-term climate risks and opportunities in 2022 are as follows: ● Short-term risks: Carbon fees/taxes being levied in Taiwan, rising electricity prices, and carbon taxes being levied overseas has resulted in an increase in the cost of raw materials. ● Short-term opportunities: Development or expansion of low carbon products and services, and improvement of corporate image ● Mid-term risks: Carbon taxes being levied overseas, green electricity accounts for 15% of the manufacturing industry's electricity consumption in 2030, broken domestic and overseas supply chains due to natural disasters such as extreme weather events, which may cause potential losses due to suspended operations. ● Long-term risks: Changes in customer behavior. ● Financial impact: Potential financial risks include increase in operating costs and impact on revenue. Opportunities are from expansion to new business, such as the transition to gas-fired power generation by domestic power plants, to increase the Company's revenue. ● Strategy and business direction: The Company began installing solar panels in 2022 to increase the percentage of green electricity; implemented energy conservation and carbon reduction projects to reduce GHG emissions; internal senior manager meetings control work items for achieving carbon neutrality; expand market share in the domestic gas turbine generator market; three energy storage sites are participating in the trading platform of Taiwan Power Company and generates revenue; form alliances with outstanding companies in Taiwan to

Item		Implementation status
		seize business opportunities.
3.	Describe the impact of extreme weather events and transition actions on the Company's financial position.	● Extreme weather events: After analyzing the 4°C temperature rise scenario, drought, flood, average temperature rise, and sea level rise has a low impact on the locations of complexes. However, the probability of asset loss due to strong typhoons is medium low, but the financial impact level is still low. The impact on supply chains is medium low due to safety stock. ● Transition actions: The Company's transition actions include the Solar Panel Project and replacement of major equipment with high energy consumption, which has increased the Company's costs. However, after comprehensively considering the savings in future carbon tax and carbon fees overseas, transition actions have a low financial impact.
4.	Describe how the identification, assessment, and management process of climate risks is integrated in the overall risk management system.	The management department began operations in the middle of the year. The cross-departmental ESG Work Group set the scenarios and proposed climate change-related topics for discussion, and then called together related units to identify and assess the overall impact and financial impact of climate risks and opportunities. It then completed the short-term, mid-term, and long-term image of climate-related risks and opportunities, as well as response measures for material issues, and then included them in the risk management section of the business plan for the following year. The business plan is submitted to the board of directors before the end of the year for approval.
5.	If scenario analysis is carried out to evaluate resilience to climate change risks, describe the scenarios, parameters, assumptions, analysis factors, and main financial impact.	● Climate scenario analysis is conducted when assessing climate-related risks and opportunities according to the guidelines of the Task Force on Climate-related Financial Disclosures. ● Principles of settings: The worst case scenario for transition and physical risks is used. ● Transition scenario: The Company set the internal goal to achieve carbon neutrality by 2050, i.e., RCP1.9. (1.5°C temperature rise) ● Physical scenario: RCP8.5 (4°C temperature rise) ● Period parameters: Short-term is 2022-2025; mid-term is 2026-2030; long-term is 2031-2050. ● Analysis items are as follows: - Transition risks: policy and regulatory risks, technology risks, market risks, and reputation risks. - Physical risks: immediate risks and long-term risks. - Opportunities: Resource efficiency, source of energy, products and services, market, and resilience. ● Quantified financial impact is divided into 5 levels: An impact of less than NT\$100 million of revenue is level 1, and an impact of NT\$700 million and above is level 5. ● Tools used: Includes IPCC AR6, 3D disaster potential map of the National Science and Technology Center for Disaster Reduction, and TCCIP – Climatic Atlas.
6.	If there is a transition	None

Item		Implementation status
	plan in place in response to climate-related risks, describe the contents of the plan and the indicators and goals used to identify and manage physical risks and transition risks.	
7.	If internal carbon pricing is used as a planning tool, describe the basis for pricing.	None
8.	If climate-related goals were set, describe the activities covered, scope of GHG emissions, schedule, and progress each year. If carbon offset or RECs are used to achieve goals, describe the source and amount of offset quota or the number of RECs.	● Set the phase 1 (2025) goal to reduce Scope 1 and Scope 2 GHG emissions by 15% compared with the baseline year, and make rolling adjustments each year. ● Reduce the electricity consumption intensity of departments with the highest GHG emissions in 2023 by 5% compared to the previous year.
9.	GHG inventory and assurance.	For details on assurance of GHG emissions in 2021, please see the table below.

GHG inventory and assurance

Basic information on the Company ☐ Company with capital of NT\$10 billion and above, steel industry, cement industry ☒ Company with capital of NT\$5 billion and above but less than NT\$10 billion ☐ Company with capital less than NT\$5 billion	Pursuant to the sustainable development roadmap of TWSE/TPEx-listed companies, at least the following shall be disclosed ☐ Individual inventory of the parent company ☐ Inventory of subsidiaries in the consolidated financial statements ☐ Individual assurance for the parent company ☐ Assurance for subsidiaries in the consolidated financial statements
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Scope 1	Total emission (Ton CO2e)	Intensity(Note 2) (Ton CO2e/ NT\$ million)	Certification body	Description of assurance(Note 3)
Parent company	4,781.17	0.20	SGS Taiwan	GHG emissions of the Taichung Complex, Sha-Lu Complex, and Kang-Shan Complex from January 1 to December 31, 2021 were inspected according to ISO16064-1:2018, and the scope of application and consistency and suitability of goals and standards are guaranteed based on results. Reasonable assurance is provided for category 1 and category 2, and limited assurance is provided for categories 3 to 6. No qualified opinions were given.
Subsidiaries (Note 1)	N/A	N/A		
Total	4,781.17	0.20		

Scope 2	Total emission (Ton CO2e)	Intensity(Note 2) (Ton CO2e/ NT\$ million)	Certification body	Description of assurance (Note 3)
Parent company	62,246.11	2.62	SGS Taiwan	GHG emissions of the Taichung Complex, Sha-Lu Complex, and Kang-Shan Complex from January 1 to December 31, 2021 were inspected according to ISO16064-1:2018, and the scope of application and consistency and suitability of goals and standards are guaranteed based on results. Reasonable assurance is provided for category 1 and category 2, and limited assurance is provided for categories 3 to 6. No qualified opinions were given.
Subsidiaries (Note 1)	N/A	N/A		
Total	62,246.11	2.62		
Scope 3	23,304.16			

How to fill out the form:

- Information on Scope 1 and Scope 2 in this table shall be prepared according to the schedule specified in Article 10, Paragraph 2 of these Guidelines, and information on Scope 3 emissions may be voluntarily disclosed by the company.
- The Company may compile a GHG inventory according to the following standards:
 - Greenhouse Gas Protocol (GHG Protocol).
 - ISO 14064-1 of the International Organization for Standardization (ISO).
- The certification body shall comply with regulations of Taiwan Stock Exchange Corporation and Taipei Exchange for sustainability report assurance.
- Subsidiaries may be filled in separately, summarized (e.g. by country or region), or consolidated (Note 1).
- The intensity of GHG emissions may be calculated per unit product/service or revenue. However, at a minimum, data calculated using revenue (NT\$ million) must be disclosed (Note 2).
- Business locations or subsidiaries not included in the inventory may not account for more than 5% of total emissions, which refers to emissions within the mandatory scope according to description 1.
- The description of assurance should summarize contents of the assurance report issued by the certification body, and the complete assurance opinion must be attached to the annual report (Note 3).

(VIII) Implementation of ethical corporate management and measures and departure from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons

Evaluation Items	Operations			Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
1. Establishment of ethical corporate management policy and plans (1) Has the company established an ethical corporate management policy that was approved by the Board of Directors, and declare its ethical corporate management policy and methods in its regulations and external documents, as well as the commitment of its Board and management to implementing the management policies?	✓		The Company established the Ethical Corporate Management Best Practice Principles, Code of Ethical Conduct for Business Management Personnel, and Management Guidelines for Handling Material Information and Prevention of Insider Trading, which were approved by the board of directors, to effectively implement the ethical corporate management policy for board members and managers. Furthermore, the chairman and president have clearly declared and signed Chinese and English versions of the ethical corporate management policy, which is announced on the company website. https://www.aidc.com.tw/tw/about/ethical	No significant deviation
(2) Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed	✓		The Company established Ethical Corporate Management Best Practice Principles that was approved by the board of directors, and it is included in analysis and assessment during the Company's risk meetings each year, during which it has been determined to be a low risk item. Prevention plans are taken for operating activities with relatively high risk of unethical conduct. Personnel are assigned to monitor the Company's procurements that exceed 10% of the announced amount. The Company also audits procurements and conducts supplier questionnaire surveys. Aspects of business that have high risk of unethical conduct are inspected.	No significant deviation

Evaluation Items	Operations			Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
Companies?				
(3) Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?	✓		The Company has established operating procedures, code of conduct, and a penalty and complaint system to prevent unethical conduct. Please see the company website for details on AIDC's implementation of the Ethical Corporate Management Best Practice Principles. https://www.aidc.com.tw/tw/about/ethical	No significant deviation
2.Implementation of ethical corporate management (1) Does the company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	✓		The Company attaches great importance to integrity, and aside from announcing the Supplier Code of Conduct on the company website, the payment of commission and gifts and treats that exceed customs are explicitly prohibited in commercial contracts. Suppliers with a poor record are restricted from participating in the Company's procurements.	No significant deviation
(2) Does the company have a dedicated unit responsible for business integrity under the board of directors which reports the ethical management policy and programs against unethical conduct regularly (at least once a year) to the board of directors while overseeing such operations?	✓		The Company established an Ethics & Security Division directly supervised by the chairman. The division is responsible for "Ethical Corporate Management and Prevention of Corruption" and "Formulation and Promotion of Code of Ethical Conduct for Managers and Employees." The division reports its implementation status to the board of directors at least 4 times a year, either quarterly or irregularly, and announces it on the company website.	No significant deviation
(3) Has the company established policies to prevent conflicts of interests, implemented such policies, and	✓		The Company has policies and regulations on avoiding conflict of interest, including Article 16 of the Ethical Corporate Management Best Practice Principles, Chapter 2 Article 4 of the Code of Ethical Conduct for Business	No significant deviation

Evaluation Items	Operations			Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
provided adequate channels of communications?			Management Personnel, Article 21 of the Guidelines for Employee Work Rules, 6.2.4 of the Transfer Rules, 3.1.1 of the Code of Conduct for Procurement Personnel, and 6.6 of the Procurement Notices. The Ethics & Security Division irregularly visits human resources and procurement units to remind them to avoid conflict of interest and also provide reporting channels.	
(4) Has the company established effective accounting systems and internal control systems to implement ethical corporate management and designated its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or commissioned a CPA to conduct the audit?	✓		The Company has established an accounting system and internal control system according to regulations to implement ethical corporate management. Each department performs its duties according to the systems. Audit units regularly and irregularly audit the implementation status, and accountants are commissioned to periodically conduct review and certification, providing improvement recommendations to ensure lawfulness and safety.	No significant deviation
(5) Does the Company provide regular internal and external training on ethical corporate management?	✓		1. External training: The Company invites a lawyer, prosecutor, or investigator to complexes to provide ethical corporate management seminars at least once a year. (Suspended in 2022 due to the COVID-19 outbreak) 2. Internal training: (1) The Company has employees sign the "AIDC Employee Code of Ethical Conduct" to create a corporate culture of integrity and effectively remind employees to abide by the Employee Code of Ethical Conduct; the signing rate reached 99.97% in 2022. (2) Provide the board of directors with examples of ethical corporate management, and update the "Ethical Corporate Management	No significant deviation

Evaluation Items	Operations			Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
			Policy" on the company website each quarter. http://www.aidc.com.tw/tw/about/ethical (3) To help new employees begin to take part in production as soon as possible and create a corporate culture of ethical corporate management, the Company's Ethics & Security Division sends lecturers to provide "ethics and security seminars" for new employees; a total of 46 courses were completed in 2022 with 573 participants. (4) Employees registered 34 instances of gifts received in 2022 in accordance with the Employee Code of Ethical Conduct.	
3. Implementation of the Company's whistleblowing system (1) Does the company provide incentives and means for employees to report malpractices? Does the company assign dedicated personnel to investigate the reported malpractices?	✓		According to the Company's Rules for Distribution of Bonuses by the Principal Investigator, individuals that have made special contributions may be immediately rewarded. External whistleblowers also receive rewards after approval. The Company has appointed the Team Leader of the Prevention Team of the Ethics & Security Division to handle reports, and made an announcement on the company website encouraging internal and external personnel to report illegal (including corruption) and unethical conduct of employees in their own names. The reports are handled in accordance with the Guidelines for Handling Whistleblower Cases, mailbox: clean@ms.aidc.com.tw, complaint hotline: Team Leader of the Prevention Team of the Ethics & Security Division 04-22842373.	No significant deviation
(2) Does the company have in place standard operating procedures for investigating and processing reports, as well as follow-up actions and relevant post-investigation confidentiality measures?	✓		The Company upholds the principle of not disclosing investigations after receiving a report, and participants are required to strictly maintain confidentiality when conducting investigation. If there are issues that require review and improvement after the investigation is concluded, the Ethics & Security Division will include preventive measures into the prevention system for continuous management to prevent recurrence.	No significant deviation
(3) Does the Company take measures to protect whistleblowers from	✓		The Company is committed to protecting whistleblowers from retaliation. If an employee feels that his/her rights or interests are damaged,	No significant deviation

Evaluation Items	Operations			Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
inappropriate treatment or retaliation?			there are clear remedy and grievance channels according to the Regulations for Handling Employee Complaints of the Human Resources Division.	
4. Enhancing information disclosure Does the company disclose information regarding the company's ethical corporate management principles and implementation status on its website and the Market Observation Post System?	✓		The Company announced the contents and implementation results of the Code of Ethical Conduct for Business Management Personnel, Ethical Corporate Management Best Practice Principles, and Code of Ethical Conduct for Employees on the company website, and irregularly promotes related rules.	No significant deviation
5. Describe the deviations, if any, between actual practice and the ethical corporate management principles, if the company has formulated such principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies: None.				
6. Other important information to facilitate a better understanding of the company's implementation of ethical corporate management: (e.g., review and amendment of the Ethical Corporate Management Best Practice Principles) The Company announces its ethics policy and anti-corruption policy during supplier conferences, explicitly stating that the Company's employees do not accept gifts. The whistleblowing number 04-2284 2373 and e-mail clean@ms.aidc.com.tw are announced during the conference, and suppliers can use the channels to report illegal conduct. The Company will take measures to ensure the confidentiality of the identity of whistleblowers. (Suspended in 2021 due to the COVID-19 pandemic)				

(IX) If the company has established corporate governance principles and related guidelines, disclose the means of accessing this information

The Company's website has a section "Important Corporate Governance Rules and Regulations" (Website 1) to disclose governance rules, and the "Corporate Governance Section" discloses implementation status (Website 2).

Website 1: <https://www.aidc.com.tw/tw/investor/governance/regulation>

Website 2: <https://www.aidc.com.tw/tw/investor/governance>

(X) Disclose other material information that will benefit understanding of the Company's corporate governance status:

The Company's website has an "Investors Section" (<https://www.aidc.com.tw/tw/investor>) to disclose material information.

(XI) Implementation of the internal control system

Aerospace Industrial Development Corporation Statement on Internal Control

Date March 27, 2023

This statement relates to the Internal Control System of the Company and the results of a self-assessment for the year 2022:

- I. The Company is fully aware that the establishment, implementation and maintenance of its internal control system is the responsibility of the Board of Directors and the management personnel. In this regard the Company has established such a system. The aim of the system is to provide reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguarding of asset security), reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations.
- II. There are inherent limitations to even the most well designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the three aforementioned objectives. Moreover, the operating environment and situation may change and impact the effectiveness of the internal control system. However, self-supervision measures were implemented within the Company's internal control system to facilitate immediate rectification once procedural flaws have been identified.
- III. The Company judges the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations"). The internal control system judgment criteria adopted by the Regulations divides internal control into five elements based on the process of management control: 1. Control environment, 2. Risk assessment, 3. Control operation, 4. Information and communication, and 5. Monitoring. Each element further contains several items. For more information on the aforementioned items, see the Regulations.
- IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
- V. Based on the findings of the aforementioned examination, the Company believes it can reasonably assure that the design and implementation of its internal control system as of Saturday, December 31, 2022 (including supervision and management of subsidiaries), including the effectiveness and efficiency in operation, reliability in financial reporting and compliance with relevant regulatory requirements, have achieved the aforementioned objectives.
- VI. This Statement will become a major part of the content of the Company's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This Statement has been passed by the Board of Directors Meeting of the Company held on Monday, March 27, 2023, where 0 of the 11 attending Directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Chairman: Hu, Kai-Hung
President: Ma, Wan-June

漢翔航空工業股份有限公司
內部控制制度聲明書

日期：112年3月27日

本公司民國111年度之內部控制制度，依據自行評估的結果，謹聲明如下：

- 一、本公司確知建立、實施和維護內部控制制度係本公司董事會及經理人之責任，本公司業已建立此一制度。其目的係在對營運之效果及效率(含獲利、績效及保障資產安全等)、報導具可靠性、及時性、透明性及符合相關規範暨相關法令規章之遵循等目標之達成，提供合理的確保。
- 二、內部控制制度有其先天限制，不論設計如何完善，有效之內部控制制度亦僅能對上述三目標之達成提供合理的確保，而且，由於環境、情況之改變，內部控制制度之有效性可能隨之改變。惟本公司之內部控制制度設有自我監督之機制，缺失一經辨認，本公司即採取更正之行動。
- 三、本公司係依據「公開發行公司建立內部控制制度處理準則」(以下簡稱「處理準則」)規定之內部控制制度有效性之判斷項目，判斷內部控制制度之設計及執行是否有效。該「處理準則」所採用之內部控制制度判斷項目，係為依管理控制之過程，將內部控制制度劃分為五個組成要素：1. 控制環境，2. 風險評估，3. 控制作業，4. 資訊與溝通，及5. 監督作業。每個組成要素又包括若干項目。前述項目請參見「處理準則」之規定。
- 四、本公司業已採用上述內部控制制度判斷項目，評估內部控制制度之設計及執行的有效性。
- 五、本公司基於前項評估結果，認為本公司於民國111年12月31日的內部控制制度(含對子公司之監督與管理)，包括瞭解營運之效果及效率目標達成之程度、報導係屬可靠、及時、透明及符合相關規範暨相關法令規章之遵循有關的內部控制制度等之設計及執行係屬有效，其能合理確保上述目標之達成。
- 六、本聲明書將成為本公司年報及公開說明書之主要內容，並對外公開。上述公開之內容如有虛偽、隱匿等不法情事，將涉及證券交易法第二十條、第三十二條、第一百七十一條及第一百七十四條等之法律責任。
- 七、本聲明書業經本公司民國112年3月27日董事會通過，出席董事11人中，有0人持反對意見，餘均同意本聲明書之內容，併此聲明。

漢翔航空工業股份有限公司

董事長：胡開宏

總經理：馬萬鈞

(XII) Penalty imposed on the Company and its personnel, punishment imposed by the Company on personnel in violation of internal control system regulations, major deficiencies and improvements in the past year and up to the date of report: None.

(XIII) Important resolutions adopted in shareholders' meeting and Board meetings in the past year and up to the date of report

1. Important resolutions of the 2022 annual general meeting and implementation status

- (1) Passed the 2021 Business Report and financial statements
- (2) Passed the Company's 2021 dividend distribution proposal.

Implementation status: The Company's board of directors authorized the chairman to set the record date as July 18, 2022, and dividends were distributed on August 4, 2022 according to the resolution of the shareholders' meeting. (A cash dividend of NT\$0.35 per share was distributed)

- (3) Passed the proposed amendment to the Company's Articles of Incorporation.

Implementation status: Registration of the Company's Articles of Incorporation was approved in Letter Jing-Shou-Shang-Zi No. 11101097750 from the Ministry of Economic Affairs dated June 14, 2022 and announced on the company website.

2. Important resolutions of Board meetings in 2022 up to March 31, 2023:

Date	Term/meeting number	Agenda item
2022/01/21	3rd meeting of 9th-term Board of Directors	Proposal to convene the Company's 2022 Annual General Meeting
2022/03/28	4th meeting of 9th-term Board of Directors	- The Company's 2021 business report. - Proposed distribution of 2021 employee bonuses and directors' remuneration. - The Company's 2021 financial statements. - The Company's 2021 dividend distribution proposal. - The Company's 2021 Statement of Internal Control System. - Proposed amendment to the Company's Articles of Incorporation. - Proposed amendment to the agenda of the Company's 2022 Annual General Meeting. - Proposed use of video conferencing during the Company's 2022 Annual General Meeting. - Proposed distribution of 2021 bonuses to the Company's chairman, president, and managers. - Proposed principles for distribution of 2022 bonuses to the Company's chairman, president, and managers. - Proposed amendment to the Company's Regulations for Supervision and Management of Subsidiaries.
2022/05/06	5th meeting of 9th-term Board of Directors	- The Company's 2022 Q1 financial statements. - Proposed amendment to the Company's Charter. - Proposed amendment to the Company's Corporate Social Responsibility Best Practice Principles.

Date	Term/meeting number	Agenda item
		The Company's fixed asset investment plan in energy storage systems in the Sha-Lu Complex
2022/05/23	2nd extraordinary meeting of 9th-term Board of Directors	- Proposed salary raises in 2022. - Proposed salary raises for the Company's chairman and president. - Proposed adjustment to the Company's 2022 business goals. - Proposed investment in a commercial office for the US subsidiary, AIDC USA LLC.
2022/08/05	6th meeting of 9th-term Board of Directors	- The Company's 2022 Q2 financial statements. - Proposed amendment to the Company's Corporate Governance Guidelines. - Proposed change of the Company's shareholder service agency. - Proposed appointment and retirement of the Company's vice president.
2022/11/07	7th meeting of 9th-term Board of Directors	- The Company's 2022 Q3 financial statements. - Proposed amendment to the Company's Rules of Procedure for Shareholders' Meetings. - Proposed amendment to the Company's internal control system. - Proposed amendment to the Company's Internal Audit Implementation Rules. - The Company's 2023 internal audit plan.
2022/12/16	8th meeting of 9th-term Board of Directors	- Proposed amendment to the Company's Rules of Procedure for Board of Directors Meetings. - Proposed amendment to the Company's Procedures for Acquisition and Disposal of Assets. - The Company's 2023 business plan. - Proposed establishment of subsidiary Hsiang Yuan Co., Ltd. - Proposed appointment of directors, supervisors, chairperson, and president of Hsiang Yuan Co., Ltd. - Proposed principles for distribution of 2023 bonuses to the Company's chairman, president, and managers. - Proposed appointment and remuneration of the Company's accountants in 2023-2025.
2023/02/24	9th meeting of 9th-term Board of Directors	- The Company's self-reported 2022 financial information - Proposal to convene the Company's 2023 Annual General Meeting. - The Company's additional pay for certifications. - Personnel proposal for the US subsidiary, AIDC USA LLC.
2023/03/27	10th meeting of 9th-term Board of Directors	- The Company's 2022 business report. - Proposed distribution of 2022 employee bonuses and directors' remuneration. - The Company's 2022 financial statements. - The Company's 2022 dividend distribution proposal. - The Company's 2022 Statement of Internal Control System. - Proposed distribution of 2022 bonuses to the Company's chairman, president, and managers.

Note: See the contents of agenda items in board meetings and the description of how the Company handled opinions of independent directors.

(XIV) Dissenting or qualified opinion of directors or supervisors against an important resolution passed by the Board of Directors that is on record or stated in a written statement in the past year and up to the date of report:

8th meeting of 9th-term Board of Directors on 2022/12/16

Content of proposal: Proposed establishment of subsidiary Hsiang Yuan Co., Ltd.

Director Hsiao, Mu-Lai and Director Lee, Ming-Li expressed dissenting opinions and requested that their opinions be included in meeting minutes to fulfill their responsibilities as labor representatives, because this proposal has not been through resolution procedures of the assembly of labor representatives. Approved by a majority vote of directors in attendance (including by proxy) (Director Hsiao, Mu-Lai and Director Lee, Ming-Li held dissenting opinion).

Content of proposal: Proposed appointment of directors, supervisors, chairperson, and president of Hsiang Yuan Co., Ltd.

Director Hsiao, Mu-Lai and Director Lee, Ming-Li expressed qualified opinions and requested that their opinions be listed in meeting minutes due to their dissenting opinions in the previous proposal (establishment of subsidiary Hsiang Yuan Co., Ltd.). Approved by a majority vote of directors in attendance (including by proxy) (Director Hsiao, Mu-Lai and Director Lee, Ming-Li held qualified opinion)

(XV) Summary of resignation or dismissal for chairman, president, accounting officer, financial officer, chief internal auditor, R&D officer, and corporate governance officer in the past year up to the date of report: None.

V. Information on fees to CPA

(I) Information on fees

Information on Fees to CPA

Name of accounting firm	Name of accountants	Audit period	Audit fee	Non-audit fee	Total	Remark
Deloitte Taiwan	Wu Li-Tung Su Ting-Chien	2022	2,769	1,125	3,894	Non-audit fee: (1) Financial information certification NT\$223 thousand (2) Tax audit and certification NT\$699 thousand (3) Transfer pricing report review NT\$145 thousand (4) Employee salary information checklist review NT\$58 thousand

(II) If the accounting firm is changed and the audit fees paid in the year of the replacement is less than that of the previous year: None.

(III) If the audit fees were reduced more than 15% from that of the prior year, the reduction amount, percentage and reasons for the reduction of audit fees shall be disclosed: None.

VI. Information on change of accountants: N/A.

VII. The chairperson, president, financial or accounting manager of the company who had worked for the accounting firm or its affiliated enterprise in the past year: N/A.

VIII. Share transfer by directors, managerial officers and shareholders holding more than 10% equity and changes to share pledging by them in the past year and up to the date of report:

(I) Changes in shareholding of directors, managers, and major shareholders

Title	Name	2022		2023 up to March 31	
		Increase (decrease) in shares held	Increase (decrease) in pledged shares	Increase (decrease) in shares held	Increase (decrease) in pledged shares
Corporate Director (Major shareholder)	Ministry of Economic Affairs	0	0	0	0
	Representative: Hu, Kai-Hung	0	0	0	0
	Representative: Ma, Wan-June	0	0	0	0
	Representative: Liou, Ming-Jong	0	0	0	0
	Representative: Chang, Ming-Pin	0	0	0	0
	Representative: Shieu, Fuh-Sheng	0	0	0	0
	Representative: Hsiao, Mu-Lai	0	0	0	0
	Representative: Lee, Ming-Li	0	0	0	0
Corporate Director	National Defense Industrial Development Foundation (NDIDF)	0	0	0	0
	Representative: Cheng Jung-Feng (Note 1)	0	0	0	0
Executive and Independent Director	Chan, Chia-Chang	0	0	0	0
Independent Director	Chen, Yin-Chin	0	0	0	0
Independent Director	Lien, Li-Jen	0	0	0	0
President	Ma, Wan-June	0	0	0	0

Title	Name	2022		2023 up to March 31	
		Increase (decrease) in shares held	Increase (decrease) in pledged shares	Increase (decrease) in shares held	Increase (decrease) in pledged shares
Vice President	Du, Shiu-Chun	0	0	0	0
Vice President	Huang, Shu-Yuan	0	0	0	0
Vice President	Chuang, Jennifer	0	0	0	0
Vice President	Tseng, Kuo-Yi	0	0	0	0
Vice President	Wei, Chia-You (Note 2)	50,000	0	0	0
Chief Auditor	Lin, Fu-Chi	0	0	0	0
Supervisor of Accounting Department	Huang, Hsiu-Yen (Note 3)	0	0	0	0
Managers	Wu, Tien-Sheng	(12,000)	0	(8,000)	0
Corporate governance officer	Chen, Tsung-Hung	0	0	0	0

Note 1: NDIDF representative changes: Cheng, Jung-Feng replaced Mei, Chia-Shu on July 8, 2022.

Note 2: Appointment as vice president approved by the Board of Directors on August 5, 2022.

Note 3: The head of the Financial Department concurrently serves as the head of the Accounting Department.

Note 4: Changes in shareholding of the persons above is during their term of employment. The changes in shareholding in this table is the total number of shares held by the individual, spouse, and underage children.

(II) Share transfer information: None.

(III) Information on where the counterparties of equity pledges are related parties: None.

IX. Information disclosing the relationship between any of the top ten shareholders

Name	Shareholding		Spouse & Minor Shareholding		Total shares held in the name of others		Titles, names and relationships between top 10 shareholders (related party, spouse, or kinship within the second degree)		Remark
	Shares	%	Shares	%	Shares	%	Name	Relation	
Ministry of Economic Affairs	331,301,773	35.17% (Note 1)	N/A	N/A	-	-	-	-	None
Representative of institution: Hu, Kai-Hung	70,000	0.007%	-	-	-	-	-	-	None
Representative of institution: Ma, Wan-June	-	-	-	-	-	-	-	-	None
Representative of institution: Chang, Ming-Pin	-	-	-	-	-	-	-	-	None
Representative of institution: Shieu, Fuh-Sheng	-	-	-	-	-	-	-	-	None

Unit: Share; % July 14, 2022 (Note 2)

Name	Shareholding		Spouse & Minor Shareholding		Total shares held in the name of others		Titles, names and relationships between top 10 shareholders (related party, spouse, or kinship within the second degree)		Remark
	Shares	%	Shares	%	Shares	%	Name	Relation	
Representative of institution: Liou, Ming-Jong	-	-	-	-	-	-	-	-	None
Representative of institution: Hsiao, Mu-Lai	10,028	0.001%	-	-	-	-	-	-	None
Representative of institution: Lee, Ming-Li	52	0.00%	-	-	-	-	-	-	None
Fubon Life Insurance Co., Ltd.	40,322,100	4.28%	N/A	N/A	-	-	-	-	None
Responsible person: Tsai, Ming-Hsing	-	-	-	-	-	-	-	-	None
Dedicated trust account under the custody of Taipei Fubon Commercial Bank Co., Ltd.	34,915,719	3.71%	N/A	N/A	-	-	N/A	N/A	None
Labor Pension Fund (the New Fund)	18,516,569	1.97%	N/A	N/A	-	-	N/A	N/A	None
Dedicated investment account of JPMorgan Chase under the custody of JP Morgan Securities	14,991,782	1.59%	-	-	-	-	-	-	None
Dedicated account of Morgan Stanley & Co. International Limited under the custody of HSBC Bank	12,963,997	1.38%	N/A	N/A	-	-	-	-	None
National Defense Industrial Development Foundation (NDIDF)	11,063,201	1.17%	-	-	-	-	-	-	None
Representative of institution: Cheng Jung-Feng	0		N/A	N/A	-	-	-	-	None
Labor Insurance Fund	9,439,000	1.00%	-	-	-	-	-	-	None
Farglory Life Insurance Inc.	10,168,382	1.08%	N/A	N/A	-	-	-	-	None
Responsible person: Meng, Chia-Jen	0	0	-	-	-	-	-	-	None
Norges Bank Investment Account under the custody of Citibank (Taiwan)	8,326,000	0.88%	N/A	N/A	-	-	-	-	None

Note 1: The Ministry of Economic Affairs holds 35.175% of shares, rounded down to 35.17%.

Note 2: Most recent book closure date.

X. Total shareholding percentage

December 31, 2022 / Unit: Thousand shares; %

Investee company	Investment by the Company		Investments from directors, supervisors, managerial officers and their directly or indirectly controlled enterprises		Combined investment	
	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)
US subsidiary of AIDC (AIDC USA LLC)	(Note 1)	100.00	-	-	(Note 1)	100.00
Jung Sheng Precision Ind. Co., Ltd.	5,000	27.78	-	-	5,000	27.78
AeroVision Avionics Inc.	4,968	13.09	-	-	4,968	13.09
Metro Consulting Service Ltd.	300	6.00	-	-	300	6.00
UHT Unitech Co., Ltd.	1,100	1.70	-	-	1,100	1.70
Hsiang Yuan Co., Ltd. (Note 2)	1,500	100.00	-	-	1,500	100.00

Note 1: In the form of a limited liability company that has not issued shares, so there are no shares held.

Note 2: Hsiang Yuan Co., Ltd. completed registration of incorporation on December 21, 2022 and completed tax registration on December 27, 2022.

Chapter 4. Capital Overview

I. Capital and shareholding

(I) Sources of capital

March 31, 2023 / Unit: Share; NTD

Month/Year	Issue price	Authorized capital		Paid-in capital		Remark		
		Shares	Amount	Shares	Amount	Sources of capital	Shares acquired by non-cash assets	Others
1996.6	10	NT\$1.5 billion	NT\$15 billion	905,591,351	9,055,913,507	Cash and assets	NT\$6,527,455,995	Note 1
1999.6	10	NT\$1.5 billion	NT\$15 billion	908,261,429	9,082,614,287	Creditor's right serving as payment	NT\$26,700,780	Note 2
2000.1	10	NT\$1.5 billion	NT\$15 billion	908,261,428	9,082,614,280	Less		Note 2
2017.8	10	NT\$1.5 billion	NT\$15 billion	941,867,101	9,418,671,010	Capitalization of profits		Note 4

Note 1: Assets transferred by the MND in the amount of NT\$9,055,913,447 was approved by the Executive Yuan in Jing(1996)-Shang-Zi No. 109686 dated June 24, 1996 to establish AIDC. Six companies including Taiwan Power Company of the Ministry of Economic Affairs each invested NT\$10 to a total of NT\$9,055,913,507. Assets other than cash used as payment totaled NT\$6,527,455,995, including NT\$6,526,751,995 in fixed assets and NT\$704,000 in long-term investments.

Note 2: Letter Jing(1999)-Shang-Zi No. 088118904 dated June 1, 1999 approved the use of creditor's right as payment, the NT\$26,700,780 in residual value of machinery and equipment purchased by the Aeronautical Research & Development Center, which formerly belonged to the MND, with funding from the NDIDF was included in the capital of AIDC through budgetary procedures according to the letter from the Executive Yuan.

Note 3: The reduction was approved in Letter Jing(2000)-Shang-Zi No. 089102830 dated January 28, 2000 because NT\$7 in the NT\$9,082,614,287 of capital is less than 1 share, so the change in registration was approved in 2000.

Note 4: Capitalization of earnings was approved in Letter Jing-Shou-Shang-Zi No. 10601116580 dated August 24, 2017.

March 31, 2023 / Unit: Shares

Type of Shares	Authorized capital			Remark
	Shares issued and outstanding	Unissued shares	Total	
Common shares	941,867,101	558,132,899	1,500,000,000	Listed company's shares

(II) Shareholder structure

July 14, 2022 (Note) / Unit: person; Share; %

Shareholder structure Quantity	Government agencies	Financial institutions	Other legal persons	Individuals	Foreign institutions and foreigners	Total
Number of people	1	15	165	41,726	112	42,019
Number of shares held	331,301,773	53,990,424	138,270,430	341,713,905	76,590,569	941,867,101
Shareholding ratio	35.18%	5.73%	14.68%	36.28%	8.13%	100.00%

Note 1: The Ministry of Economic Affairs holds 35.175% of shares, rounded down to 35.17%.

Note 2: Most recent book closure date.

(III) Shareholding distribution

July 14, 2022 (Note)

Shareholding level	Number of shareholders	Number of shares held	Shareholding ratio (%)
1 to 999	7,672	1,018,266	0.11%
1,000 to 5,000	24,627	50,214,719	5.33%
5,001 to 10,000	4,049	31,692,234	3.37%
10,001 to 15,000	1,401	17,258,291	1.83%
15,001 to 20,000	908	16,691,475	1.77%
20,001 to 30,000	947	23,959,619	2.54%
30,001 to 40,000	421	14,951,281	1.59%
40,001 to 50,000	377	17,352,510	1.84%
50,001 to 100,000	929	67,259,189	7.14%
100,001 to 200,000	477	59,572,352	6.33%
200,001 to 400,000	101	28,228,957	3.00%
400,001 to 600,000	36	18,080,300	1.92%
600,001 to 800,000	19	13,686,141	1.45%
800,001 to 1,000,000	8	7,276,000	0.77%
Over 1,000,001	47	574,625,767	61.01%
Total	42,019	941,867,101	100.00%

Note1: Most recent book closure date.

Note2: Common shares, the Company did not issue preferred shares.

(IV) List of major shareholders

The names of shareholders holding 5% or more shares or the top ten shareholders and the number and percentage of shares held by each shareholder:

July 14, 2022(Note)		
Name of major shareholder	Number of shares held	Shareholding ratio (%)
Ministry of Economic Affairs	331,301,773	35.17%
Fubon Life Insurance Co., Ltd.	40,322,100	4.28%
Dedicated trust account under the custody of Taipei Fubon Commercial Bank Co., Ltd.	34,915,719	3.71%
Labor Pension Fund (the New Fund)	18,516,569	1.97%
Dedicated investment account of JPMorgan Chase under the custody of JP Morgan Securities	14,991,782	1.59%
Dedicated account of Morgan Stanley & Co. International Limited under the custody of HSBC Bank	12,963,997	1.38%
National Defense Industrial Development Foundation (NDIDF)	11,063,201	1.17%
Labor Insurance Fund	10,168,382	1.08%
Farglory Life Insurance Inc.	9,439,000	1.00%
Norges Bank Investment Account under the custody of Citibank (Taiwan)	8,326,000	0.88%

Note 1: The Ministry of Economic Affairs holds 35.175% of shares, rounded down to 35.17%.

Note 2: Most recent book closure date.

(V) Share price, net worth, earnings, and information on dividends for the past two years

Unit: NTD

Item \ Year			2021	2022	The current year up to March 31, 2023
Market price per share (Note 1)	Highest		32.10	39.50	44.85
	Lowest		25.45	28.60	34.00
	Average		28.84	32.83	38.07
Net worth per share (Note 2)	Before distribution		15.21	16.81	(Note 8)
	After distribution		14.86	15.73 (Note 7)	(Note 8)
Earnings per share	Weighted average shares (thousand shares)		941,867	941,867	(Note 8)
	Earnings per share (Note 3)		0.59	1.73	(Note 8)
Dividends per share	Cash dividends		0.35	1.08 (Note 7)	-
	Stock dividends	Stock dividend from retained earnings	-	-	-
		Stock dividend from capital surplus	-	-	-
	Accumulated undistributed dividends		-	-	-
Return on investment analysis	Price-earnings ratio (Note 4)		48.88	18.98	-
	Price-dividend ratio (Note 5)		82.4	30.40 (Note 7)	-
	Cash dividend yield (Note 6)		1.21%	3.29% (Note 7)	-

Note 1: Highest and lowest market prices of ordinary shares each year; the average market price each year is calculated based on the transaction amount that year.

Note 2: Use the number of outstanding shares at the end of the year and distribution decided by the Board meeting or shareholders' meeting in the following year.

Note 3: If retroactive adjustments must be made due to stock dividends, list the EPS before and after adjustment.

Note 4: Price-earnings ratio = average per share closing price for the year / earnings per share.

Note 5: Price-dividend ratio = average per share closing price for the year / cash dividend per share.

Note 6: Cash dividend yield = cash dividends per share / average per share closing price for the year.

Note 7: The proposed distribution of 2022 earnings has not yet been approved by the shareholders' meeting.

Note 8: As of the date of report, the financial information for 2023 Q1 has not been audited by an accountant and is therefore not disclosed.

(VI) Dividend policy and implementation status

1. Dividend policy

- (1) When the Company is distributing earnings each year, it shall first pay taxes, offset losses in previous years, and then allocate 10% as legal reserve, unless the legal reserve has reached the Company's total capital; a special reserve shall then be allocated according to regulations; the remaining earnings shall be distributed according to the following principles after being approved by the shareholders' meeting.
 - A. May be distributed by the Company from distributable earnings after considering its financial position, business, management, and other factors.
 - B. Earnings may be distributed in cash dividends or stock dividends. Since the Company is in a capital intensive industry, cash dividends are given priority when distributing earnings, but stock dividends may also be distributed. However, stock dividends may not account for more than 50% of total dividends distributed.
 - C. If the Company does not have any distributable earnings in a year, or if it has distributable earnings but the amount is far lower than the amount distributed in the previous year, all or a part of the capital surplus may be distributed according to the law or regulations of the competent authority after considering its financial position, business, management, or other factors.
- (2) If there is sufficient free cash flow, the amount of dividends distributed to shareholders shall not be lower than 50% of the increase in distributable earnings, and shall be distributed after the resolution is adopted by the shareholders' meeting.

2. Dividend distribution to be proposed to the shareholders' meeting

AIDC has distributed dividends according to the dividend policy every year that it has made a profit since it became a public company. The Company's net profit in 2022 was NT\$1,627,333 thousand, and will distribute cash dividends of NT\$1.08 per share to a total of NT\$1,017,216 thousand according to the earnings distribution proposal approved by the Board of Directors on March 27, 2023.

Note: The 2022 earnings distribution proposal will be resolved in the annual general meeting on May 30, 2023.

3. Explanation when a material change to the dividend policy is expected: None.

(VII) Effect of stock grants proposed in the latest shareholders' meeting on the Company's business performance and earnings per share: N/A

(VIII) Employee bonuses and directors' remuneration

1. Percentage or scope of employee bonuses and directors and supervisors' remuneration provided in Company's Articles of Incorporation:

If the Company makes a profit for the year, it shall allocate no less than 0.58% and no more than 4.65% as employee bonuses, and no more than 0.58% as directors' remuneration. When there is a cumulative deficit, the Company shall reserve such an amount in advance for compensation.

2. Basis for estimating the amount of employees bonuses and directors' remuneration, basis for calculating the number of shares to be distributed as employee bonuses, and the accounting

treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the current period:

The Company's 2022 employee bonuses is estimated at NT\$91,987 thousand, directors' remuneration is estimated at NT\$11,474 thousand; the estimates are 4.65% and 0.58% of pre-tax profit according to the Articles of Incorporation. No stock dividends will be distributed. If there is a discrepancy in the amount approved and the estimate, it will be handled as a change in accounting estimates and recognized by making adjustments in the year of the resolution.

3. Distribution of remuneration passed by the Board of Directors:

- (1) Employee bonuses and directors' remuneration will be distributed in cash or stocks. If there is any discrepancy between the amounts and the amortized estimates for the year, the differences, reasons, and responses shall be disclosed.

The Board of Directors adopted the following resolution on the 2022 employee bonuses and directors' remuneration on March 27, 2023:

A. Employee bonus in cash: NT\$91,987 thousand

B. Employee bonus in stock: NT\$0

C. Director's remuneration: NT\$11,474 thousand

There is no discrepancy between amount of employee bonuses and directors' remuneration to be distributed and the amount recognized in financial statements.

- (2) The amount of employee bonuses to be paid in stocks as a percentage of the sum of net income after tax on the standalone financial statements and total employee bonuses:

The employee bonuses approved by the board of directors to be distributed do not include stock compensation.

4. Actual distribution of employee bonuses and directors' remuneration in the previous year (including dividend shares, amount and stock price), discrepancies, if any, from the amount of employee bonuses and directors' remuneration previously recognized, and the reasons and handling of discrepancies:

The Company's Board of Directors on March 29, 2022 adopted the resolution to distribute NT\$28,432 thousand in 2021 employee bonuses and NT\$3,546 thousand in directors' remuneration, and no stock bonuses will be distributed. The resolution was reported to the shareholders' meeting on May 28, 2022. There is no discrepancy between amount of employee bonuses and directors' remuneration to be distributed and the amount recognized in financial statements.

(IX) Status of company share buyback: None.

II. Issuance of Corporate Bonds (Including Overseas Corporate Bonds)

Unit: NTD

Type of Corporate Bond		1st domestic issuance of unsecured ordinary corporate bonds in 2019	1st domestic issuance of unsecured ordinary corporate bonds in 2021
Date of issuance		September 17, 2019	May 26, 2021
Par value		1,000,000	1,000,000
Issue price		Issued by denomination	Issued by denomination
Total amount		3,000,000,000	3,450,000,000
Interest rate		0.71%	0.52%
Duration and maturity date		5 years Maturity date: September 17, 2024	7 years Maturity date: May 26, 2028
Guarantor agency		None	None
Trustee		Trust Department, Taipei Fubon Commercial Bank Co., Ltd.	Trust Department, Taipei Fubon Commercial Bank Co., Ltd.
Underwriting institution		Lead underwriter: Yuanta Securities	Lead underwriter: Yuanta Securities
Certified lawyer		Lee and Li, Attorneys-at-Law: Jack Y. Twu	Lee and Li, Attorneys-at-Law: Frank Huang
CPAs		Deloitte Taiwan: Wu Li-Tung	Deloitte Taiwan: Su Ting-Chien
Repayment method		Repaid in a lump sum upon maturity	Repaid in a lump sum upon maturity
Amount not yet repaid		3,000,000,000	3,450,000,000
Terms of redemption or early repayment		None	None
Restrictive clauses		None	None
Names of credit rating agency, rating date, rating of corporate bonds		Rating agency: Taiwan Ratings Corporation Credit rating of issuer: twAA-/stable/twA-1+ Date of rating: May 29, 2019 Corporate bond rating: N/A	Rating agency: Taiwan Ratings Corporation Credit rating of issuer: twAA-/developing/twA-1+ Date of rating: April 23, 2021 Corporate bond rating: N/A
Other rights attached	Amount converted (exchanged or subscribed) to common shares, GDRs, or other negotiable securities up to the date of report	N/A	N/A
	Issuance and Conversion (Exchange or Subscription) Regulations	None	None
Issuance and conversion, exchange or subscription regulations, potential		None	None

Type of Corporate Bond	1st domestic issuance of unsecured ordinary corporate bonds in 2019	1st domestic issuance of unsecured ordinary corporate bonds in 2021
dilution caused by issuance conditions, and effect on shareholders' equity		
Name of custodial institution	N/A	N/A

III. Issuance of preferred shares: None.

IV. Participation in the issuance of global depositary receipts: None.

V. Exercise of employee stock option plan (ESOP): None.

VI. Issuance of restricted stock awards: None.

VII. Status of merger and acquisition: None.

VIII. Issuance of new shares for acquisition of shares of other companies:
None.

IX. Implementation of capital allocation plan:

- (I) As of the end of 2019 Q4, the Company has fully used the NT\$3 billion raised from unsecured ordinary corporate bonds issued domestically on September 17, 2019. The funds raised were all used to repay short-term debts and strengthen the Company's financial structure; expected benefits were consistent with the actual situation.
- (II) As of the end of 2021 Q2, the Company has fully used the NT\$3.45 billion raised from unsecured ordinary corporate bonds issued domestically on May 26, 2021. The funds raised were all used to repay short-term debts and strengthen the Company's financial structure; expected benefits were consistent with the actual situation.

Chapter 5. Business Overview

I. Business Content

(I) Scope of Business

1. Major business activities:

Manufacturing and Maintenance of Airplanes and its Parts and Components

Manufacturing and Maintenance of Engine and its Parts and Components

Industrial Technology Services (Energy, Tracks, Information and Aviation Service)

2. Business breakdown:

AIDC's business can be broken down into 3 categories, namely, "Maintenance of Airplanes and Vehicles," "Engines," and "Industrial Technology Services" as follows:

Unit: NT\$ thousands

Product Category	2021		2022	
	Revenue	Percentage (%)	Revenue	Percentage (%)
Maintenance of Airplanes and Vehicles (Note 1)	14,859,432	62.61	18,403,501	60.85
Engines (Note 2)	8,311,780	35.02	9,884,701	32.69
Industrial technology services	563,354	2.37	1,954,105	6.46
Total	23,734,566	100.00	30,242,307	100.00

Note 1: Maintenance of Airplanes and Vehicles: Includes the maintenance and repair of military and civil airplanes and aircrafts.

Note 2: Engines: Includes military and commercial engines.

3. Current products and services:

AIDC's current products (services) are for military, commercial aviation, and industrial technology services.

The military business includes the manufacturing maintenance, and performance upgrade of domestic military aircrafts, commercial maintenance of air fleets, production of military hardware by private sector, and military aircraft engines.

The commercial aviation business includes the design and OEM production of airframe structure and sub-assembly parts, and the design, processing and OEM production of international commercial aircraft engines and parts and components.

Industrial technology services aim at the energy system, aviation services, information services, and the application of the R&D, design, manufacturing, testing, system integration, and after-sales service deriving from aerospace technology capacity currently in service.

4. Development of new products (services) that have been planned:

In the military business, AIDC plans to develop a new basic jet trainer, upgrade the IDF's electronic warfare system, fight for business opportunities of newly purchased F-16V fighters, including domestic engine production and maintenance, outsource fleet maintenance to private companies, and implement the GOCO policy. AIDC will also use its capabilities to win over National Chung-Shan Institute of Science and Technology for manufacturing missile weapons systems, communication systems, radar systems, and command and control systems.

In the civil aviation business, as the global aviation industry's recovery gains momentum, the Company maintained optimal capacity in terms of personnel and machinery. 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 in the restructuring of supply chains after the pandemic. From a long-term perspective, AIDC plans to develop new civil aircrafts and system parts/components for the engine risk sharing plan, aiming to participate in co-development in the R&D phase and thereby ensure it acquires intellectual property rights and mass production orders.

For industrial technology services, AIDC is actively developing business opportunities in energy creation, storage, control, and use, and has a vast range of satellite service, expanding into the niche market for cyber-physical integration AI simulation applications. These efforts aim to get into the business of providing aviation services for disaster prevention and relief and atmospheric measurement, and also expand into the information services market.

(II) Industry Overview

1. Current status and outlook of the industry:

(1) Defense industry:

The Company's defense business is mainly focused on the Air Force, which is the main customer and we rely on the government's defense budget. As it is difficult for Taiwan to purchase defense weapon systems from foreign countries, the military focuses on creating relative advantages in its strategy to establish independent defense capabilities, and stabilizes the budget based on the military building schedule.

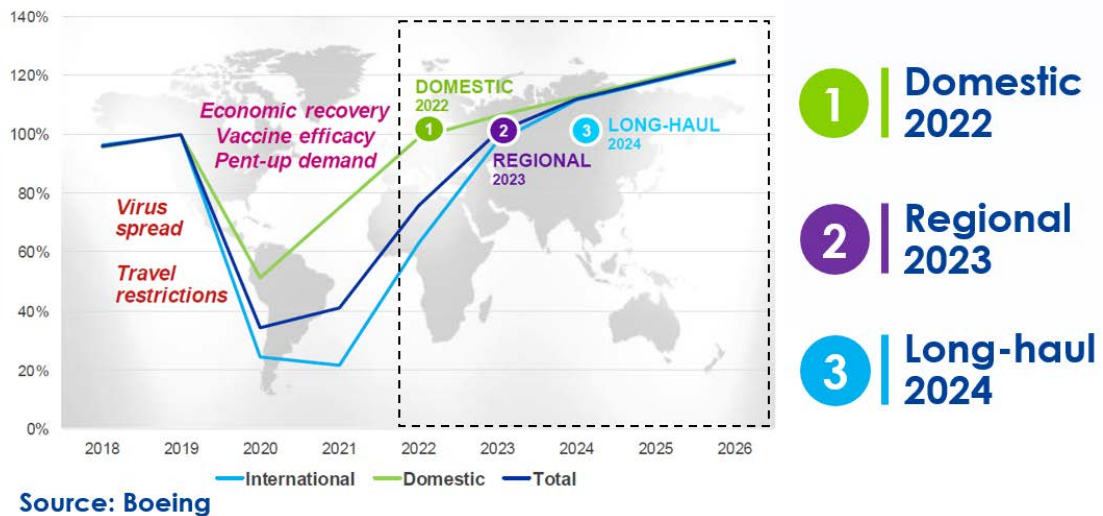
In response to the escalating regional tensions in recent years, the government passed the NT\$250 billion for "Special budget for the procurement of new fighter jet" project in 2019, which aim to build Taiwan's ability in designing and manufacturing defense weapons, and strengthen the defense capability; and NT\$240 billion for "Special procurement for upgrading the capability of naval and air defense" in 2021. The business opportunities derived from this project is expecting to help boost the development of domestic aerospace industry.

(2) Commercial aviation:

Market data of the IATA show that the air cargo market has strong demand, and the air transportation market in 2022 has returned to 65.8% of pre-pandemic levels in 2019, in which domestic air passenger traffic has clearly recovered in Europe and America. Meanwhile, international air passenger traffic continues to trend upwards.

Boeing believes that the market would recover in three stages: Short domestic flights would recover first, followed by regional flights and long-haul flights. Therefore, the purchase orders for single-aisle aircrafts and their engines are expected to recover first.

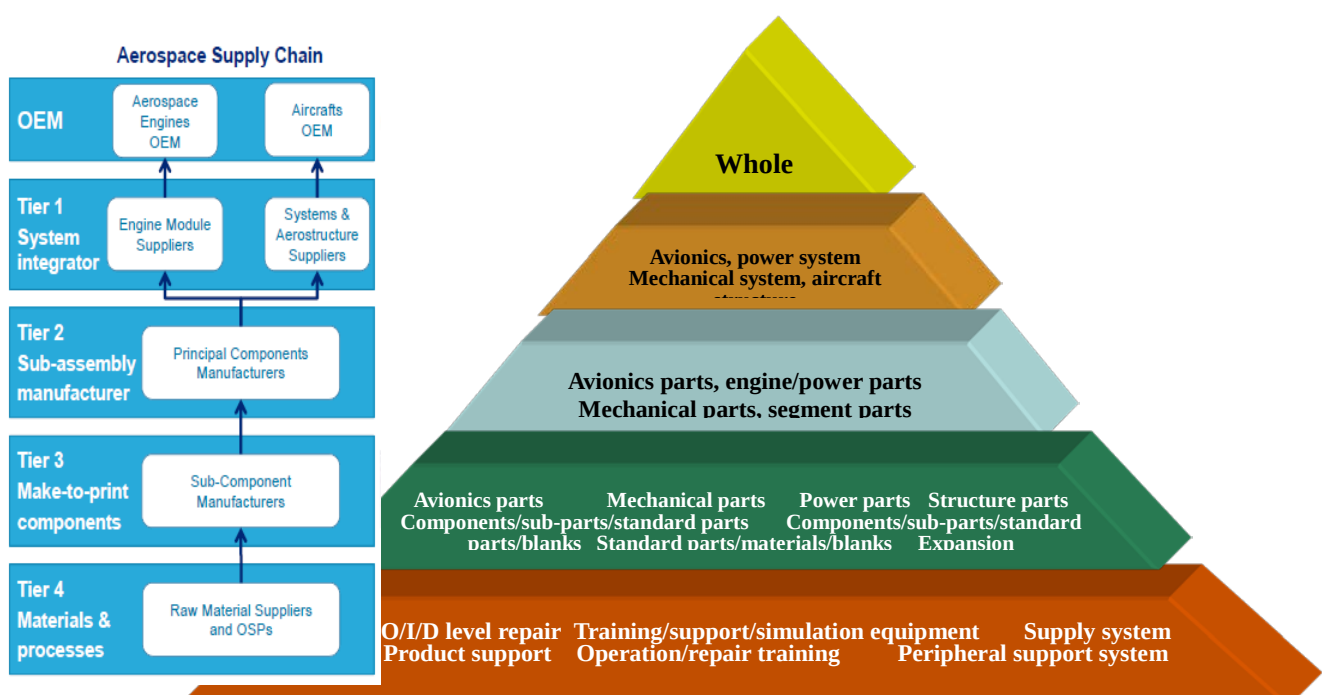
According to Boeing, the market would recover from 3 phases.



2. The relationship between upstream, midstream and downstream in the industry:

In general, the international aerospace and aircrafts and engines supply chains adopt international vertical division of labor, and can be classified into the following tiers: components/materials supplier (Tier 4), parts supplier (Tier 3), subsystems supplier (Tier 2), (cabin-mounted equipment, module segment critical components) and main structure supplier (Tier 1); and the top layer is the OEM of aircraft structure integration and aero engines which is shown in the chart below:

International Vertical Division of Labor in the Aerospace Industry Value Chain



Source: Compiled by AIDC

In the area of aircraft manufacturing, Boeing, Airbus, and Bombardier are whole aircraft manufacturers. GE, Rolls-Royce, Snecma, Pratt & Whitney, and Honeywell and their subsidiaries are the major aero engine manufacturers capable of providing engine and aircraft assembly to meet the requirements of Boeing, Airbus and Bombardier.

AIDC is a key member of the global aerospace industry supply chain, and is the leader in the aerospace industry of Taiwan providing aircraft structural parts and engine sub-assembly components and parts for the international aircraft market. AIDC has also established a complete network of supply for the speedy upgrading of the entire aerospace industry of Taiwan. After receiving orders from major international firms, in addition to manufacturing and assembly at its Taichung, Shalu and Gang Shan Complexes, AIDC outsources part of the parts and components business to its suppliers. The relation of the upper-, middle-, and lower-stream of the aerospace industries in Taiwan is shown in the chart below.

3. Different Development Trends of Products:

In national defense, most of the jet fighters are at the brink of retirement from service. As such, the Ministry of National Defense has budgeted for long-term maintenance and performance upgrade of the jet fighters and trainers currently in service. Furthermore, drones play a key role in the Russo-Ukrainian War, and the government will work with the private sector in expanding drone purchases. Outsourcing of military aircraft maintenance to the private sector and GOCO will continue to be stably carried out.

As for the civil aviation business, lightweight, fuel-efficient, and low pollution aircrafts will become the mainstream in response to environmental protection appeals for energy conservation and carbon reduction. Air transportation demand after the pandemic has mainly been on short flights, so major aerospace companies have prioritized the production of single-aisle aircrafts and their engines.

In industrial technology service, AIDC supports the global carbon emission net-zero vision, and the government policy of energy conservation and carbon reduction and prioritizing disaster prevention over disaster relief. We will continue to expand energy business opportunities and aviation services for disaster prevention and relief and atmospheric measurement.

4. Competition:

(1) Defense business:

The capability and expertise acquired from the development of the IDF fighter and AT-3 jet trainer give AIDC an edge in pursuing subsequent performance upgrade and maintenance businesses. The Company has accumulated actual experience in the maintenance of military aircrafts and businesses contracted by military factories to the private sector, and retains competitiveness. In addition, the Company is now implementing the advanced jet trainer production project and F-16A/B performance improvement project, and was selected as the organizer of the F-16 Maintenance and Repairs Center. The Company aims to help the Air Force resolve the high unit cost, high failure rate, and long delivery period, which are the three issues that affect maintenance and repairs, and lead domestic companies in obtaining business opportunities in military aircraft production and maintenance and repairs.

(2) Civil aviation businesses:

The main aircraft and engine manufacturing companies in Europe and Americas mostly operate based on a global division of labor and has established a component supply chain system. Operators in emerging countries are currently cutting into the individual part processing market with low production costs and the support of their governments and have thus become a threat in low-price

competition. Major civil aviation companies around the world not only require suppliers to meet quality and delivery requirements, but also tie new business together with price cuts during negotiations, creating a severe challenge for global suppliers to cut costs.

The Company recently formed the Taiwan A-Team 4.0 Alliance and focused on "creating alliances with other industries, division of labor in the industry, lean manufacturing, and enhancement of competitiveness". We integrated the aerospace supply chain in raw materials, machinery and equipment, production and manufacturing, and logistics. We work with companies that have similar values and ideals and divide work based on our respective advantages to facilitate cooperation. We aim to develop the capacity needed for the development of military aircrafts, transfer technologies to civilian use, and enhance the capabilities of companies in the Taiwan A-Team 4.0 Alliance. AIDC shall power the transformation and upgrade of the aerospace supply chain in Taiwan and expand into the new markets for the production of system parts and the maintenance and repairs of civil aircrafts to expand the global market share.

(3) Industrial technology services:

The Company's businesses in this category consist mainly of the application of existing aerospace technologies to support the government's policies, important industrial development and the demand for large-scale private system projects. We aim to develop related products and services, and we have created competitive niches.

(III) Overview of Technology and R&D:

1. The R&D expenditures we invested in the last two years are shown in this table. We will continue to make investments to improve our core competitiveness:

Unit: NT\$ thousands

Item	2021	2022	2023 up to the previous quarter
R&D Expenditures	544,242	591,208	Note
Net Revenue	23,734,566	30,242,307	Note
Percentage of revenue	2.29%	1.95%	Note

Note 1: 2-4% of annual net revenue will be allocated as R&D expenditures in the future.

Note 2: As of the date of report, the financial information for 2023 Q1 has not been audited by an accountant and is therefore not disclosed.

2. The technologies or products developed in 2022 are shown in the table below:

Item	Technology or Product	Result
1	Develop aircraft Advanced Technology and Establish Supply-Chain plan	1. Develop hot forging part of military aircraft engine structure. 2. Metal forming CAE research. 3. Get new assembly jig design method of robotic process. 4. High efficiency CNC application. 5. Apply robotic for assembly line.
2	Chrome Free Primer test for production line plan	1. Get 6 chrome free paint attributes. 2. Get 6 chrome free paint recipe for process. 3. Done for 6 chrome free paint application test. 4. Done for drying time and process parameter validation.
3	Tube inside chromed and anodized test plan	1. Install Pulse rectifier to controller and collect basic database. 2. Get tube inside chromed and anodized parameter data base for the process optimization.

Item	Technology or Product	Result
4	Development of Integrating Technology for Intelligent Manufacturing Robotic Arm Application System	1. Completed the final edge processing system for the Disk, which meets customer's blueprint requirements and has been put into production. 2. Developed an automated Hanger spot welding system that reduces production time and improves quality compared to manual spot welding operations. 3. Increased the energy of robotic arm application and system integration.
5	Developing casting with thin airfoil structure	1. Completed the development of the complex shape ceramic core manufacturing process for hollowed single crystal blade. 2. Completed the development of the casting process for 13" length hollow LPT blade. 3. Completed the development of the casting process for 12" length nozzle segment with. 4. Completed the development of the casting process for 32" diameter nozzle guide vane ring.
6	Maintenance of the IRWR Central Receiver	1. Develop the Central Receiver testing equipments and maintenance procedure. 2. During a period of three years, the bottleneck of the maintenance technique has broken through, and a total of 14 Central Receiver have been repaired, and met the availability requirements of the IDF fighter.
7	iAIDC Intelligent AI Promotion Project	1. Promotion of AI thinking and application concepts: encourage colleagues to study independently and in-depth, and actively apply AI in the field of work to improve efficiency. 2. AI application practice introduction: complete AI+ smart manufacturing application to quick quotation/cost inspection, Hanger grinding, machine health monitoring, AOI automatic classification of casing insert, etc. Optimize the process and quality. Strengthen the application of aerospace intelligent manufacturing and artificial intelligence technology, and improve the efficiency of practical application.
8	Applied research on lean production. (III)	1. During the 2022, Accelerated Improvement Workshops were held while 72 improvement topics were completed. 2. During the 2022, total savings in this project over NT\$100 million.
9	Composite Wing Tank Technology Development	1. Established the technology and capability for lightning protection and tank seal of composite wing tank. 2. Established design allowables for composite wing analysis.
10	DLR Antenna conformal Research and Development	1. Achieve the improvement of DLR antenna and analysis of conformal type data. 2. Achieve the improvement of the self-developed antenna field simulation analysis software. 3. Accomplish the SIA (Structural Integrated Antenna) configuration DLR conformal antenna prototype and functional performance verification. 4. Accomplish the communication test between the DLR conformal antenna and the DLR ground station.

Item	Technology or Product	Result
11	Rudder Pedal Assembly Adjuster design and manufacture Development	1. Completed the design and analysis of critical parts in Rudder Pedal Assembly Adjuster, and is benefit to configuration change and improve the performance. 2. Finished the fuctional test rig, the endurance test rig, and builded the testing capabilities. 3. Completed the self-developed, including design, analysis, manufacture and integration.
12	Research and development program of key technology of thermoplastic composite	1. Completed the production of standard coupons and relevant tests to establish thermoplastic composite data. 2. Established forming tools and mold, IR preheating equipment, and manufactured special laminate and L-profile coupons. 3. Established BOM and Model, design and manufacture of rivetless fasteners. 4. Completed the screening of energy director for ultrasonic welding for thermoplastic composite , assembly of the robotic arm system, welding module design, fixture design, welding parameter establishment and parts trial welding.
13	Research and development of ECS Defog Diverter Valve	1. Mastering core technologies of ECS Defog Diverter Valve. 2. Establishing test platform and test ability of ECS Defog Diverter Valve.
14	Research and development of ECS performance analysis promgram	1. Completed the ECS steady performance analysis program development. 2. Completed the reverse engineering of ECS sensors, global replacement source search of ECS sensors and domestic self-made evaluation. 3. Complete the optimization analysis of difficult system components and domestic self-made evaluation.
15	CFRP Composite drive shaft Technology Development	1. Established CFRP Composite drive shaft design and manufactural capabilities. 2. Completed CFRP Composite drive shaft product and troque test / dynamic balance correction. 3. Completed Sub-item: ANC program R&D and test device.
16	CFRP recycling technology research and development.	1. Completed the in-house carbon fiber recycling process. 2. The recycling process results show that more than 90% of the resin can be effectively removed from the wasted prepreg. The target of resin residue less than 2wt% was achieved. 3. Completed mechanical properties measuring by the single-filament, both the tensile strength and tensile modulus retention rate more than 90%.
17	Electric vehicle controller application software and verification platform development	1. Establish the core technology development capability of electric vehicle control and electronic control independently. 2. Complete the construction of the electric vehicle simulation and verification platform. 3. Complete the set up of electric vehicle controller design, testing and verification capabilities.

3. Direction for future R&D:

- (1) Key technologies for upgrading basic jet trainers and advanced jet trainers: Improve R&D and production capabilities for basic and advanced jet trainer related products.
- (2) New product development: Energy management system (EMS) technology development, space parts development, development of avionics equipment for new basic jet trainers, and engine parts development.
- (3) Management technologies: iAIDC AI project and lean activity.
- (4) Maintenance technologies: Includes building maintenance capabilities and developing parts with commercial sources that are gradually disappearing.
- (5) Manufacturing technologies: Develop production capacity and manufacturing technologies for thermoplastic composite material; develop and improve production, assembly, and automated processes.

(IV) Long- and Short-Term Business Development Plans

1. Defense business:

- (1) **Short term:** Provide quality- and schedule-compliant service to carry out the new advanced jet trainer development program and F-16A/B upgrade program, and to enhance the capabilities of F-16 Maintenance & Support Center.
- (2) **Long term:** Accelerate the upgrade of the IDF's electronic warfare system, pursue the business of the basic trainer jets, next newly purchased F-16V fighters, and drones, expand the commercial maintenance of military aircraft, I-level maintenance and depot-level maintenance work of the Air Force 1st and 3rd Logistics Commands.

2. Civil aviation businesses:

- (1) **Short term:** Make an all-out effort to secure existing orders, then pursue additional orders and higher percentage of manufacturing. Strengthen specialties in composite materials for civil aircrafts and fully utilize current production capacity. Implement global strategic outsourcing and implement lean management and intelligent manufacturing to increase project revenue, and pursue business vigorously in manufacturing popular jet model by fortifying strategic partnership with international companies such as Boeing, Airbus and Rolls-Royce.
- (2) **Long term:** Grasp market opportunities, enter the field of civil aircraft and engine maintenance (MRO), and expand the blue ocean market.

3. Industrial technology services:

- (1) **Short term:** Develop business opportunities in energy creation, storage, control, and use, in hopes of becoming the leading manufacturer of total solutions for energy and power systems.
- (2) **Long term:** In support of the government policies, the direction of developing important industries, and the needs of large-scale systems engineering and industrial upgrading in private sector, AIDC extends the implantation of aviation technology and promote the development of related engineering service businesses.

II. Overview of Market, Production and Sales

(I) Market Analysis

1. Sales (Provision) regions and targets of main products (services):

Product Category	Region	Customer
Defense business	Domestic	Ministry of National Defense, National Chung-Shan Institute of Science and Technology, Lockheed Martin, etc.
Civil aviation businesses	Foreign	Aircraft fuselage manufacturing: Major aviation manufacturers in Europe, the United States, and Japan such as Bombardier Inc., Airbus, Leonardo, PFW Aerospace GmbH, The Boeing Company, Honeywell Aerospace, ShinMaywa Industries Ltd., Kawasaki Heavy Industries (KHI), and Spirit AeroSystems. Engines: Major engine manufacturers in Europe, the United States, and Japan such as GE Aviation, Rolls-Royce, Honeywell Aerospace, P&W, and IHI Corporation.
Industrial technology services	Domestic	General Electric International, Inc. Taiwan Branch (U.S.A.), CPC Corporation, Taiwan Power Company, Taiwan Space Agency, Evergreen Aviation Technologies Corporation, Dah Lih Puh Co., Ltd., Chenfull Precision Co., Ltd., Taiwan Mobile Co., Ltd., National Cheng Kung University, and Uni-President Enterprises Corporation.
	Foreign	MTR Corporation Limited, Toshiba Infrastructure Systems & Solutions, and Aerospace Processing India Pvt Ltd.

2. Market share:

(1) Defense business:

AIDC has the capacity in full-range logistics support service of AT-3 and IDF and the advantage of the maintenance of the aforementioned aircrafts and engines, performance upgrade, and fleet maintenance. In addition, the advocacy of the Ministry of National Defense for outsourcing private contractors for the maintenance of different types of military aircraft and the government-owned and contract-operated military industry plants makes AIDC an indispensable supplier.

(2) Civil aviation businesses:

AIDC has emerged as a strategic partner of major aerospace industrial firms of the world and is the leader of aerospace industry of Taiwan. AIDC has already been accredited for different parts and components in the aerospace industry and has good experience in international cooperation and mainly secure the contracts of renowned international giant firms. The international market is so big that the market share is conditioned by the sales of products of the giant firms. As such, there is no information on the market share of the parts and components in the aerospace industry available for reference.

(3) Industrial technology services:

AIDC provides industrial technology service on the foundation of aerospace technology, and expands and applies the technology to energy technology and aviation services. However, the income from this business only occupies a small portion of the revenue. As such, the shares in respective markets have not been estimated.

3. Future market supply, demand, and future growth:

(1) Defense business:

In view of the existing service and future combat requirements for jet fighters of the ROC Air Force, in order to maintain combat power and improve aircraft availability, requirements for replacement and upgrade are growing. As such, AIDC has the opportunity for growth in the supply of weapon systems for the armed forces, the maintenance of different types of military aircraft, and the government-owned, contractor-operated business.

(2) Civil aviation businesses:

According to Boeing Commercial Market Outlook 2022-2041, it is believed that the demand for new aircraft in the next 20 years will be about 41,170. The average annual growth rate of air passenger traffic is 3.8%, and the total value of the logistics service (MRO) market is about US\$3.6 trillion.

Airbus predicts that the total global demand for commercial aircraft will reach 39,490 in the next 20 years (2022~2041), and single-aisle aircrafts will account for approximately 80% of the growth.

(3) Industrial technology services:

The National Development Council announced the "Taiwan Roadmap for Net Zero Emissions by 2050 and Description of Strategies" as the main plan for promoting transition to net zero emissions by 2050. The government plans to invest nearly NT\$900 billion by 2030, which has created business opportunities for the Company in energy storage and creation markets. The booming economy in Southeast Asia drives more public installations and transportation facilities, and there is opportunity for growth of the mechatronics business.

4. Competitive niches:

(1) Defense business:

AIDC has the capacity in integrated design, manufacturing and logistics support in maintenance of the whole aircraft, and can help to extend the life span, upgrade the performance, commercial maintenance of military aircrafts, and the GOCO business.

(2) Civil aviation businesses:

The years of joint venture with international giant firms enabled AIDC to establish world-class engineering design capacity in body structure, advanced composite materials, and avionics for commercial aircraft, and support the needs in the development of various business areas with flexible design of production process.

AIDC has been accredited the ISO 9001 and AS9100 systems and the quality accreditation system of Boeing, Airbus, Bombardier, Sikorsky and Bell, and has developed positive partnership with the aforementioned aerospace giant firms.

In the area of aircraft engine, the manufacturing technology capacity of engine case of AIDC has been recognized by the international aircraft engines giant firms, and AIDC has been accredited the quality accreditation system of the area of aircraft engine as well. Currently, AIDC mainly manufactures engine cases, and is engaged in essential partnership with the top 5 engine manufacturers including GE, Honeywell, Pratt & Whitney, Rolls-Royce of the UK, and Snecma.

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.

(3) Industrial technology services:

AIDC has large-scale aviation system development experience, possesses mature technology and capability in engineering integration, testing and manufacturing.

5. Favorable and unfavorable factors for future development and response strategies:

(1) Favorable Factors:

- A. Taiwan's government has designated five innovative industries as the driving force of the next generation. Defense industry being one of the five is expected to lead the investment of the industry.
- B. Among the strong demand from the emerging markets, Asia-Pacific region contributes the most, with a 40% of the total global demand. AIDC has been dedicated in the aerospace industry and successfully entered the global aerospace supply chain, along with Taiwan's position as a regional hub of Asia-Pacific, which is conducive to the business growth.
- C. AIDC elected as the main operator of the F-16 Maintenance & Support Center in 2020, and plan to obtain technology transfer, authorization and certification from Lockheed Martin. AIDC aim to develop the core technology of defense aircraft, lead domestic manufacturers to seize production and maintenance opportunities of relevant projects with the aim of increasing technological capacity and build domestic supply chain of defense industry.

(2) Unfavorable factors and response measures:

- A. The cost reduction demands from international companies have grown into a huge pressure. Whether it is Boeing or Airbus's supplier strategy, they all tend to bind new business opportunity with cost reduction negotiation.

Response measures

AIDC will upgrade and refine the core competence of research and development, design and manufacturing process, and adopt lean production to enhance technology added value, reduce cost, and improve competitiveness.

In addition, through the transfer of military technology to civilian use, AIDC can provide assistance to upgrade supply chain level, establish a long-term and stable cooperation relationship with collaborative partners, enhance competitiveness of regional aerospace industry, pursue higher position in the global aviation supply chain, and reduce the risk of cutthroat price competition from global suppliers.

- B. Technology advanced countries adopted highly automated and intelligent machinery to enhance production efficiency; on the other hand, the newly emerging countries established low-cost aerospace clusters with government support. Both have unfavorable impacts on business development of AIDC.

Response measures

AIDC has implemented Industry 4.0 to develop iAIDC intelligent manufacturing platform, and via robots, Internet of things, big data and CPS technologies to consolidate digital manufacturing and intelligent management, upgrade production efficiency and enhanced competitive power.

- C. The global air transportation market gradually recovered as vaccination rate increased. However, the aviation manufacturing supply chain went through massive layoffs during the pandemic due to a significant drop in demand. Professional talent cannot be replenished within a short period of time, so the industry's production capacity encountered a bottleneck due to

manpower shortages.

Response measures

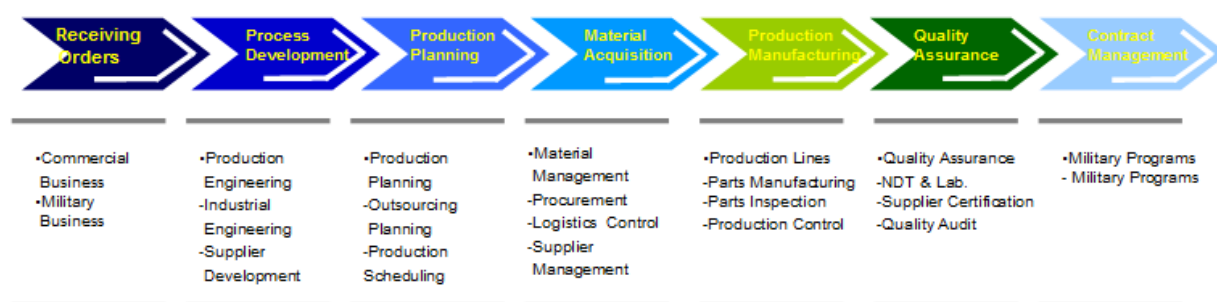
The Company insisted on "no layoffs, no pay cuts, and no unpaid leave" during the pandemic, so that personnel and machinery can maintain optimal production capacity. In contrast with the labor shortage, material shortage, and broken supply chains in other countries, the Company has been more equipped to seize business opportunities after the pandemic, which will help the Company seize opportunities in the restructuring of the aviation supply chain.

(II) Important applications and production processes of main products

1. Important applications:

Product Category	Product usage
Airplane and aircraft maintenance and repairs	Defense, combat training, commercial aircraft, commercial helicopters, aircraft aviation control/navigation/monitoring, maintain normal operation/function of aircrafts/engines/avionics within the life span.
Engines	Aircraft engines, industrial engines
Industrial technology services	Large-scale engineering systems for national infrastructure, aerospace technology for the development of high value-added industrial and civilian products/technical services for raising the standards of domestic industries

2. Production process:



(III) Supply of main raw materials

AIDC is an aerospace manufacturer and relies on qualified suppliers designated by the customers in the supply of direct materials given its specific nature. The materials include the materials for the manufacturing of aircraft body structure, system parts, non-standardized parts and chemical substances (including composite materials). For securing better terms and conditions of supply, AIDC usually entered into long-term contracts with the suppliers in line with the needs of the customers. The supply of key materials is shown in the table below:

Name of key material	Suppliers	Status of supply
Metals	Wilsons BRALCO Boeing c/o TMX Aerospace Titanium Industries	The key suppliers of aluminum, steel, titanium plate, sheet, tube, rod, and molded forms of metals in market.

Name of key material	Suppliers	Status of supply
Non-metals	CYTEC HEXCEL Argosy International Inc. PPG	The key suppliers of composite materials, rubber, paints, and cell devices in market.
Standard metal parts	WESCO Blue Aerospace LLC Boeing Distribution Services Inc. Adept Fasteners Tyco Electronics Singapore Pte Ltd Peerless Aerospace Fastener TPS Aviation Inc	The key suppliers of standard metal parts and electronic parts.
Finished items and non-standardized parts	Moog Inc. Meggitt Aircraft Braking PCC Structural, Inc	As per the request of the customers.

(IV) Names of customers who contributed to more than 10% of total purchase (or sales) amount in one of the most recent two years and the corresponding purchase (or sales) amounts and percentages, as well as reasons for their changes (if applicable). However, if the name of the customer may not be disclosed due to the contractual agreement, or the counterparty of the transaction is an individual and a non-related party, it may be listed by using a code:

1. List of suppliers that accounted for more than 10% of net purchase in the past 2 years:

Unit: NT\$ thousands; %

2021				2022				2023 up to the previous quarter			
Customer	Amount	As a percentage of total purchase (%)	Relationship with issuer	Customer	Amount	As a percentage of total purchase (%)	Relationship with issuer	Customer	Amount	As a percentage of total purchase (%)	Relationship with issuer
Company A	—	—	—	Company A	2,530,776	15.99	—	Company A	Note 2	Note 2	—
Others	11,160,758	100.00	—	Others	13,295,412	84.01	—	Others	Note 2	Note 2	—
Total	11,160,758	100.00	—	Total	15,826,188	100.00	—	Total	Note 2	Note 2	—

Note:

- The Company has good relationships with the aforementioned major suppliers, which have made deliveries stably according to project requirements, and there has not been any shortages, suspension, or delay of supply that affected production.
- As of the date of report, the financial information for 2022 Q1 has not been audited by an accountant and is therefore not disclosed.

2. List of customers that accounted for more than 10% of net sales in the past 2 years:

Unit: NT\$ thousands; %

2021				2022				2023 up to the previous quarter			
Customer	Amount	As a percentage of total purchase (%)	Relationship with issuer	Customer	Amount	As a percentage of total purchase (%)	Relationship with issuer	Customer	Amount	As a percentage of total purchase (%)	Relationship with issuer
Company A	13,882,732	58.49	—	Company A	16,899,106	55.88	—	Company A	Note 3	Note 3	Note 3
Company B	3,353,920	14.13	—	Company B	4,222,637	13.96	—	Company B	Note 3	Note 3	Note 3
Others	6,497,914	27.38	—	Others	9,120,564	30.16	—	Others	Note 3	Note 3	Note 3
Total	23,734,566	100.00	—	Total	30,242,307	100.00	—	Total	Note 3	Note 3	Note 3

Note:

1. AIDC is in good relationship with the aforementioned 2 major customers and there has been no significant change in the last 2 years.
2. The aforementioned financial information for 2020 and 2021 were audited by a CPA under IFRSs.
3. As of the date of report, the financial information for 2022 Q1 has not been audited by an accountant and is therefore not disclosed.

(V) Output volume and value for the last two years

Unit: NT\$ thousands

Output quantity and value Main products	Year	2021			2022		
		Production capacity	Production volume	Output value	Production capacity	Production volume	Output value
Airplane and aircraft maintenance and repairs		-	-	13,756,646	-	-	16,869,947
Engines		-	-	7,468,222	-	-	9,004,288
Industrial technology services		-	-	545,996	-	-	1,953,498
Total		-	-	21,770,864	-	-	27,827,733

Note 1: The products shipped included self-made parts, spare parts, support equipment, documents, software, and technical services. Due to the nature of business operations, they are produced for specific purchase orders and are not standardized products. Therefore, the production capacity and production volume cannot be calculated.

Note 2: Products delivered for engines include spare parts, labor services, and foreign commercial engine OEM production purchase orders.

Note 3: The aforementioned financial information for 2021 and 2022 were audited by a CPA under IFRSs.

(VI) Sales volume and value in the past two years

Unit: NT\$ thousands

Sales volume and value Main products	Year	2021				2022			
		Domestic sales		Export sales		Domestic sales		Export sales	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Airplane and aircraft maintenance and repairs		-	9,647,666	-	5,211,766	-	12,308,841	-	6,094,660
Engines		-	2,380,749	-	5,931,031	-	2,424,949	-	7,459,752
Industrial technology services		-	527,783	-	35,571	-	1,917,174	-	36,931
Total		-	12,556,198	-	11,178,368	-	16,650,964	-	13,591,343

Note 1: The items for delivery included self-made parts, spare parts, support equipment, documents, software, and technology service. The nature of the business is made-to-order and there are no standard items therefore the estimation of production capacity and volume is not available.

Note 2: Products delivered for engines include spare parts, labor services, and foreign commercial engine OEM production purchase orders.

Note 3: The aforementioned financial information for 2021 and 2022 were audited by a CPA under IFRSs.

III. Information on employees in the last 2 years up to the date of report

Year		2021	2022	2023 up to March 31
Number of employees	Level 1 executives and higher	31	32	31
	Other employees	5,178	5367	5376
	Total	5,209	5399	5407
Average age		45.7	45.7	45.6
Average years of service		13.3	13.3	13.2
Breakdown by education	Ph.D.	0.61%	0.59%	0.61%
	Master's	17.53%	17.24%	17.14%
	Universities	42.08%	43.66%	43.65%
	Junior college	20.12%	19.23%	19.07%
	High school	19.45%	19.08%	19.35%
	Junior high and below	0.21%	0.20%	0.18%

Note: The chairman, president, and employees on leave without pay are not included.

IV. Information on environmental protection expenses

Losses sustained due to environmental pollution in the most recent year and up to the date of report, current and future estimated amount, and response measures: The Company did not sustain any losses or receive fines from environmental protection units due to environmental pollution incidents.

V. Labor-management relations

(I) Employee benefits and implementation status:

1. Benefits provided by the Company:

Provide all employees with labor insurance, national health insurance and accident insurance with NT\$4 million insured. Provide Employee Stock Ownership Trust for permanent employees with 20% compensation. Provide performance bonus and annual bonus. Provide general physical examination for all employees and special physical examination for employees with special duties.

2. Employee Welfare Committee:

AIDC has established the Employee Welfare Committee in accordance with the Employee Welfare Fund Statue for coordination of all fringe benefits for the employees, supervise and advocate all group activities with subsidy. In addition, an annual budget has been prepared for the planning of welfare to subsidize employees in matrimony, funeral, sickness, maternity and paternity. Gifts were also granted on birthdays and festivities. Recreational activities, parent-children events, and group activities were organized for the employees as well.

3. Psychological healthcare has also been an important policy of AIDC:

The Company has established the Employee Assistance System (EAS) operating through the Employee Assistance Center. It also helps to launch the Employee Assistance Programs (EAPs), including: Office observers program, individual and family consultation and guidance, mental health assessment and assistance plan, support groups for employees that suffered catastrophic illness, care for new employees, and care services for employees at retirement age.

The Company has launched office observers program which provide the training and promote the EAS actively to strengthen employees and family care with the Care Workers Volunteer Team and the Unit Care System. It also actively promotes staff to assist in the systemic care mechanism, with a personalized and group-based staff assistance program to provide staff and is a body and mind health care information and resources, strengthen employee and family care and support services, improve employees' physical and mental health and reduce unsafe behavior, avoid human error, reduce the risk and cost of health hazards, improve mental health and workplace safety.

The Company applies its human resources to fulfilling corporate social responsibility, efforts of which include; holding social care activities through its volunteer group, government and charity groups activities, providing volunteer service opportunity to retired employees to enrich their value of life, promoting good deed and helping the weak; encouraging employees to make donations; and providing direct/indirect assistance to the operation of the disadvantaged group.

4. Regulations and operations of the Sexual Harassment Complaints Committee:

AIDC has instituted the guideline for filing complaints and punishment of sexual harassment in the workplace, and has established a Sexual Harassment Complaints Committee in 2002 for the prevention of sexual harassment.

5. Compliant Handling Committee:

AIDC established Regulations for Handling Employee Complaints. This committee seeks to protect the legitimate rights of the employees and respond to the complaints thereof. This function helps to improve labor-management relations.

6. Creation of a Friendly and LOHAS Workplace:

AIDC highly treasures the value and spirit of human right and equality of both sexes, and makes proactive effort in materializing such rights through its internal code for nurturing an environment of sexual equality, and maintains equity in salary, bonus and promotion opportunity. AIDC employs the underprivileged and implements safety and health management in the workplace, values employee education and training, bolsters consensus and identification as a team, motivates employees to improve their work efficiency for the creation of a workplace preferred by all employees.

7. Creating a Parent-Friendly Environment:

To help employees take care of their careers and family, the Company complies with the policies of the government and is committed to providing a friendly childcare environment and related measures, such as breastfeeding rooms, family care leave, maternity leave for female employees, paternity leave for male employees, childbirth subsidies, and unpaid parental leave (including allowances). The Company also provides pregnancy care and postpartum care for female employees. The Company provides employees with the "marriage subsidies", "childbirth subsidies", and "childcare subsidies" in accordance with the "Guidelines for Emergency Relief and Marriage and Childcare Subsidies" of the Employee Welfare Committee. Employees may file applications based on their personal or family needs and the benefits are the same for all genders and positions. In the last two years (2021-2022), 83 employees have taken parental leave, and the reinstatement rate is 66%.

(II) Employee Training and Continuing Education:

To observe the spirit of "Talent Quality-Management System, TTQS" introduced by Workforce Development Agency, Ministry of Labor, AIDC developed its training quality system and established the Education & Training Committee and Education & Training Promotion Team to administer internal talent cultivation and employee training. In 2022, AIDC adopted the competency standards of the Ministry of Labor to optimize the competency model and revise the supervisor professional competency specifications on this basis.

1. Employee training: Training is separately planned and executed for new employees and current employees.

- (1) Orientation training focuses on assimilation into company culture, understanding of concepts, quality and cost concepts, teamwork and the job skills required for all duties at entry level. From day one, new employees have to undergo a 3-6 months training program of general duties and professional duties, so that they will have core, general, and professional competencies required to successfully perform their duties.
- (2) Current employees will receive internal and external training in line with requirements, such as corporate strategic objectives, laws and regulations, organizational development, business contracts, and employee career development. The training includes business management, lecturer training, leadership, communication and coordination, lean management, material management, cost management, project management, contract negotiation, business marketing, and other critical management competencies, together with business development, engineering development, materials procurement, machinery processing, parts assembly, process

specification, quality inspection, aircraft maintenance, avionics repair and maintenance, engine repair, information management, flight engineering, occupational safety and health, and related professional training. These competencies are essential to ensure all officers and employees of related business are competent for the duties.

- (3) The Company launched the mentor-apprentice program to ensure the knowledge and skills of employees nearing retirement age are passed on. The process begins two years before employees retire to ensure that their successors have the required competencies.
- (4) In 2022, AIDC provided 3,909 training courses (excluding online learning courses) with 167,873 person-times participated and that amounted to a total of 321,770 training hours.

2. On-the-job Training:

- (1) AIDC selects employees of good standing and with high potential to receive domestic full-time education or part-time education every year, and is engaged in cooperative education program with a number of universities. AIDC also subsidizes and encourages employees to engage in continuing education, participation in the test of foreign language proficiency, and get licensing of relevant technical skills. AIDC spares no effort to encourage employees to engage in lifetime learning, self-development and upgrade of professional standing at all times.
- (2) In 2022, 59 employees took part in the full-time or part-time education programs and the continuing education subsidized by AIDC; and 12 employees received subsidies for foreign language proficiency and 3 employees for professional certification tests.

(III) Employee Retirement System and Implementation:

1. Retirement under the old system:

- (1) According to the "AIDC Employee Retirement, Pension, and Layoff Guideline," the pension for retirement of AIDC employees could be claimed from the account at the Bank of Taiwan.
- (2) The "Employee Pension Reserve Monitoring Committee" was established pursuant to Article 56 of the Labor Standards Act. The "Employee Pension Reserve Monitoring Committee" was convened on January 25, April 26, July 26 and October 25, 2022 respectively to review and monitor contributions to the pension fund and the balance of the labor pension reserve.
- (3) AIDC appoints an actuarial professional to conduct actuarial calculation on the pension fund, and allocates pension expenses for deposit according to the actuarial calculation report on January 3, 2020, at the special pension account at the Bank of Taiwan in compliance with legal requirements (allocation of 2-15%).

2. Retirement under the new system:

All employees under the new system contribute 6% of their monthly salary to their individual special pension accounts at the Labor Insurance Bureau according to the Labor Pension Act.

(IV) Employer-employee relations and employee rights protection measures:

1. AIDC firmly embraces the principle of labor-management harmony and the advocacy of labor-management cooperation, and thereby spares no effort to cultivate channels for communications with employees for protecting their rights. In addition, AIDC also holds labor-management meetings according to Article 83 of the Labor Standards Act and the "Regulations Governing Labor-Management Meetings." Corporate-level labor-management meetings were held in February, May, August and November 2022; labor-management meetings of the Sha-Lu Complex were held in March, June, September, and December; labor-management meetings of the Kang-Shan Complex were held in March, June, October, and December, 2022.

2. To maintain good labor-management relations, the Company organized 9 meetings with the Labor Union and 2 meetings with employees in 2022 to communicate related issues with the Labor Union and employees.

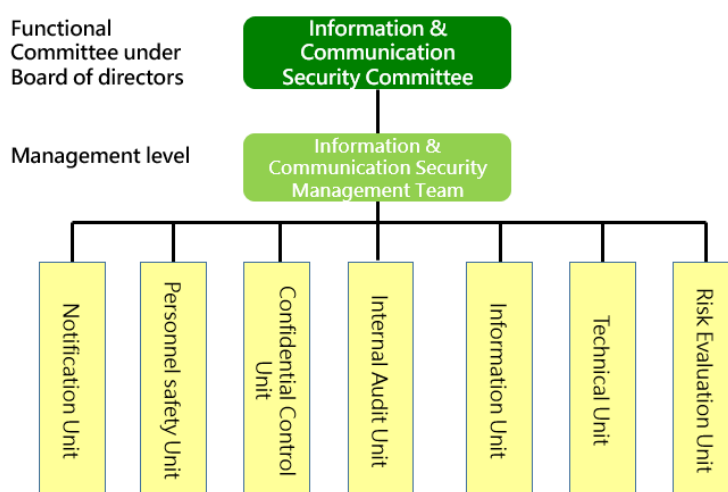
(V) Losses sustained due to labor-management disputes:

AIDC values labor-management harmony and there has been no significant loss caused by labor-management disputes in the last 2 years to the date of report.

VI. Information Security Management

(I) Information security risk management framework

1. AIDC has established a board-level Information Security Committee, which is convened by independent directors who serve as the chairman. The Committee has a total of 5 members, in which 2 members have an expertise in information security. Meetings are convened at least twice a year, and additional meetings are convened due to the information security management situation.
2. The company has set up an "Information Security Management Team", in which the vice president serves as the convener, and members include the information security officers of each department (concurrently held by the deputy director) and information security personnel. Meetings are convened every six months (additional meetings are convened as necessary) to review information security management.



A total of 2 Information Security Committee meetings, 2 Information Security Management Team meetings, and 28 group meetings were convened in 2022.

(II) Information security policy

The Company's information security policy is disclosed on the official website (<https://www.aidc.com.tw/tw/about/infosecurity>)

1. The purpose of information security

To enhance the security of the Company's information and communication operations and to prevent unauthorized access, use, control, leakage, destruction, tampering, destruction or other infringement of information and communication systems or information to ensure their confidentiality, integrity and availability. To comply with relevant laws, regulations and customer requirements in order to smoothly promote the Company's various businesses, thereby gaining the trust of customers, enhancing competitive advantages and ensuring the sustainable operation of the Company.

2. Management objectives

- (1) To ensure the confidentiality, integrity and availability of the Company's business information and the sustainable operation of the Company.
- (2) To meet or exceed information security related laws, regulations, and customer information security requirements and testing to achieve continuous and safe business operations.
- (3) To establish and continuously improve the information and communication security management system to ensure the security of the Company's information and communication and effectively reduce the risk of theft, misuse, leakage, tampering or destruction of information assets caused by human negligence, intentional or natural disasters, etc.

3. Scope of Application

This policy applies to our employees, vendors and third party personnel who access our business information or provide services.

4. Organization

AIDC established a board-level functional committee – "Information Security Committee." The committee is convened by an independent director elected by all board members. The independent director serves as the chairman and convenes meetings at least twice a year. A vice president serves as the convener of the "Information & Communication Security Management Team", a cross-departmental task force set up under the Committee at the management level. The team is responsible for planning and executing the Company's information Security Policy. It also formulates the Company's measures for information security management, crisis reporting, and emergency response.

5. Management Principles

Information security management covers 14 management items in ISO/IEC 27001:2013:

- (1) Information Security Policy
- (2) Organization of information security
- (3) Human resources safety
- (4) Asset management
- (5) Access Control
- (6) Cryptography
- (7) Physical and environmental security

- (8) Operational security
- (9) Communication security
- (10) System acquisition, development and maintenance
- (11) Provider relationships
- (12) Information Security Incident Management
- (13) Information security aspects of business continuity management
- (14) Compliance

6. Responsibility

- (1) The Ares Security Committee shall review this policy and the related management system, and report to the Board of Directors annually on the results of the project.
- (2) The "APC Security Management Team" shall review and revise this policy and the specific management plan in a timely manner to ensure that the policy meets current needs.
- (3) The Information Security Management Unit shall implement this policy through appropriate standards and procedures, and raise the awareness of information security risks for all employees.
- (4) Department heads shall proactively promote and require their subordinates to understand and comply with this Security Policy and all information security related requirements.
- (5) All Company employees, suppliers or third party personnel who have access to relevant business information shall comply with the requirements of this policy.
- (6) It is the responsibility of all Company personnel to report any potential ATC security incidents or ATC security weaknesses, and the ATC Security Management Team will be responsible for prevention and improvement.

7. Evaluation and Review

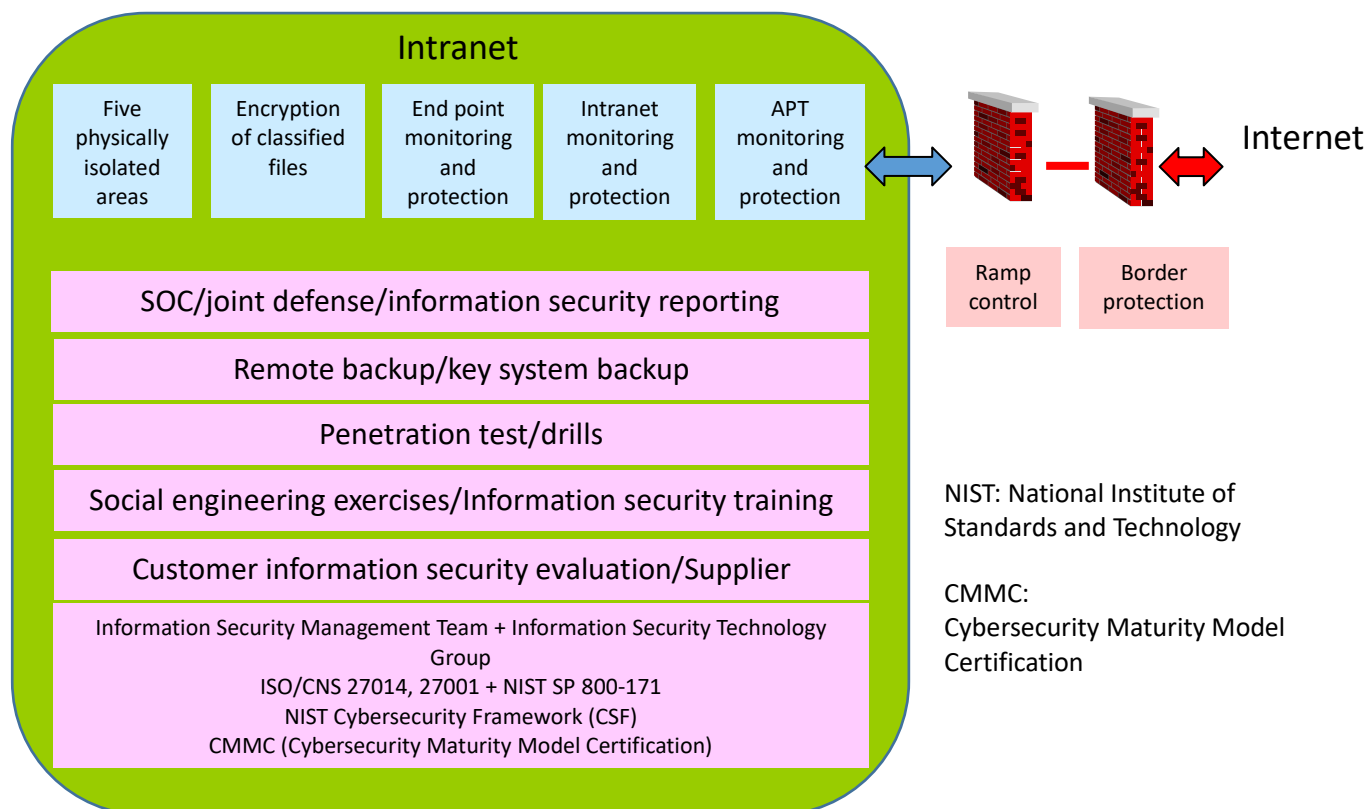
This information security policy shall be evaluated every six months or re-evaluated when there are significant changes in the organization. Based on the evaluation results, the policy shall be revised as necessary.

8. Announcement and Implementation

This policy shall be reviewed and approved by the Information Security Committee, and the implementation date shall be announced and disclosed on the Company's intranet and official website or in the annual report. The same shall apply to future amendments.

(III) Specific management plans

1. Information infrastructure management and maintenance – Information security structure



2. Information security infrastructure and protection system

AIDC builds a complete information security infrastructure and protection system from gateway management and control, endpoint protection, intranet monitoring and protection, information security joint defense, and defense business entity isolation zone control.

For gateway management and control, we use a global information security intelligence analysis and defense system, new generation firewall, website application firewall, e-mail APT defense and spam prevention, intrusion detection and protection system and Internet access control, and online contents and threat analysis to block hackers and viruses outside the Company.

For endpoint protection, we use anti-virus software, Microsoft system update, asset management system/USB control, operating system vulnerability scanning system, application vulnerability scanning system, and file encryption system to effectively protect the Company's endpoint computers from being hacked or sensitive data from being leaked.

For intranet monitoring and control, we established a network package intrusion detection system for the intranet, cloud sandbox analysis platform, LAN usage control system, and log collection and analysis system for early discovery of intrusion by hackers and prevent intrusion events from horizontally expanding.

For information security joint defense, besides establishing an information security monitoring center to monitor and handle information security incidents. We also hired the information security incident monitoring center of a professional information security company for 24/7 joint defense. When the monitoring center discovers signs of hacking, it will immediately contact full-time information security personnel to stop the hacker.

For classified defense business, physical isolation measures to physically block access.

AIDC has not only established a complete information security system, but also remote backup mechanisms for key systems of the Company. Emergency response drills are organized for key

systems once a year, so that the Company's key systems can resume operations within the shortest time possible when an information security incident occurs.

3.Information security system development

AIDC established steps and methods for developing, improving, and maintaining information systems, in hopes that information systems will meet requirements, while ensuring the quality of software and the completeness and availability of files. Automated inspection and analysis tools for source code can effectively, completely, and accurately assist developers in finding vulnerabilities in the code, and reduce the impact of information security vulnerabilities on operations. Furthermore, we use web application firewall (WAF) to filter and defend against external or internal cyberattacks. WAF can provide logs for information security identification and to find the point of intrusion.

4.Personal data protection management

AIDC established the Personal Data Information Security Operating Procedures to ensure the collection, processing, and use of personal data files complies with the law and is secure.

5.2022 information security management performance

- (1) The Company passed the periodic certification of ISO/CNS 27001 each year and kept the certificate valid until August 25, 2023.
- (2) The Company passed information security assessments of customers.
- (3) The Company passed the annual audit of financial statement certification information (audit by accountant).
- (4) The Company has established information security management related regulations, which are reviewed and revised each year.
- (5) The Company has included information security inspection as an audit item in the annual audit plan.
- (6) Social engineering exercises are conducted every two months to keep all employees alert when opening e-mails.
- (7) Effective interception of spam e-mail.
- (8) Effective defense against advanced persistent threat (APT) attacks.
- (9) Maintain the availability of critical information systems.
- (10) Improve information security and protection
 - a. Level 1: Boundary protection that blocks entry and exit, such as abnormal traffic from zombie computers, phishing websites, and malicious IP addresses.
 - b. Level 2: New generation advanced firewall that successfully blocks external attacks and APT malicious attacks.
 - c. Level 3: Effectively block advanced persistent threat (APT) attack letters.
 - d. Strengthen prevention and control of the spreading of virus e-mails by targeting suspicious e-mails reported by employees.
 - e. Establish an information security monitoring center and cooperate with external information security to effectively prevent attacks.
- (11) Information security audit and inspection

- a. Information security inspection: Includes security inspections of portable storage media and physical isolation areas for classified data.
 - b. System and network security inspection: Includes anti-virus systems, Microsoft system update, system vulnerability scanning system, application system vulnerability scanning, computer room environment control system, data backup system, and ELK log collection and analysis system.
- (12) Completed information security training and information security awareness campaigns for all personnel.
- a. Complete information security training for full-time information security personnel, IT personnel other than full-time information security personnel, general users, and managers.
 - b. Ad hoc information security awareness campaigns.
- (13) Business continuity
- a. Complete business continuity and emergency recovery drills.
 - b. Complete comprehensive rehearsals of emergency event reporting, response, and recovery.

(IV) Resources invested in information security management

AIDC invested over NT\$12 million in 2022 to strengthen and maintain information security, with over 100 employees involved in information security operations.

(V) Losses sustained due to major information security incidents, potential impact, and response measures:

The Company did not have any material information security incidents in the most recent year and up to the date of report.

VII. Important Contracts

Contracting Party	Principal Content
Airbus	Commercial aircraft components and parts manufacturing program
Bell	Helicopter components and parts manufacturing program
Boeing	Commercial aircraft components and parts manufacturing program
Bombardier	Commercial aircraft components and parts manufacturing program
GE	Engine parts manufacturing program
Honeywell	Engine parts manufacturing program
KHI	Commercial aircraft components and parts manufacturing program
Latecoere	Commercial aircraft components and parts manufacturing program
Leonardo	Commercial aircraft components and parts manufacturing program
Lockheed Martin	Military aircraft modernization program
PFW	Commercial aircraft components and parts manufacturing program
Pratt & Whitney	Engine parts manufacturing program
Rohr, Inc	Commercial aircraft components and parts manufacturing program
Rolls-Royce	Engine parts manufacturing program
Sikorsky	Helicopter components and parts manufacturing program
Spirit	Commercial aircraft components and parts manufacturing program
Stelia	Commercial aircraft components and parts manufacturing program
Ministry of National Defense R.O.C.	GOCO program for 11th Maintenance & Supply Group IDF Modification and Maintenance Programs F-16 maintenance program F-5 aircraft ejection seat modification and upgrade programs
NCSICT	Advance Jet Trainer Program
GE	Tung Hsiao Power Plant
CPC Corporation, Taiwan	CPC Fast Power Project

Chapter 6. Financial overview

I. Condensed Financial Information for the Last Five Years

(I) Condensed Balance Sheet, Consolidated Income Statement information-International Financial Reporting Standards (IFRS)

1. Condensed Balance Sheet (Consolidated)

Unit: NT\$ thousands

Item \ Year		Financial statements for the past five years					
		2018	2019	2020	2021	2022	2023 Q1
Current assets		29,014,820	32,154,259	29,794,603	26,785,421	28,905,483	Note 3
Property, plant and equipment		8,352,719	8,568,418	9,297,868	9,413,000	8,834,090	Note 3
Intangible assets		867,785	1,246,970	1,156,391	906,575	871,773	Note 3
Other assets (Note 4)		1,584,230	4,117,789	3,775,438	3,642,896	4,097,213	Note 3
Total assets		39,819,554	46,087,436	44,024,300	40,747,892	42,708,559	Note 3
Current liabilities	Before distribution	21,805,607	19,389,351	21,187,090	16,031,681	16,038,459	Note 3
	After distribution (Note 2)	23,067,709	20,510,173	21,375,463	17,048,897	17,048,897	Note 3
Non-current liabilities		3,880,330	11,974,499	8,872,938	10,117,613	10,843,973	Note 3
Total liabilities	Before distribution	25,685,937	31,363,850	30,060,028	26,875,654	26,882,432	Note 3
	After distribution (Note 2)	26,948,039	32,484,672	30,248,401	27,892,870	27,892,870	Note 3
Equity attributable to owners of parent		14,133,617	14,723,586	13,964,272	14,324,687	15,832,905	Note 3
Share capital		9,418,671	9,418,671	9,418,671	9,418,671	9,418,671	Note 3
Capital reserve		-	-	-	-	4,981	Note 3
Retained earnings	Before distribution	4,706,032	5,334,724	4,664,437	6,454,336	6,454,336	Note 3
	After distribution (Note 2)	3,443,93	4,213,90	4,476,064	5,437,120	5,437,120	Note 3
Other equity		8,914	(29,809)	(118,836)	(153,820)	(45,083)	Note 3
Treasury stock		-	-	-	-	-	Note 3
Non-controlling interests		-	-	-	-	-	Note 3
Total equity	Before distribution	14,133,617	14,723,586	13,964,272	15,832,905	15,832,905	Note 3
	After distribution (Note 2)	12,871,515	13,602,764	13,775,899	14,815,689	14,815,689	Note 3

Note 1: Data for 2018-2022 have been reviewed and certified by an accountant in accordance with IFRSs.

Note 2: As of the date of report, the amount after dividend distribution in 2022 is according to the resolution of the Board of Directors on March 27, 2023 and pending resolution of the shareholders meeting.

Note 3: As of the date of report, the financial information for 2023 Q1 has not been audited by an accountant and is therefore not disclosed.

2. Condensed Balance Sheet (Standalone):

Unit: NT\$ thousands

Item \ Year		Financial statements for the past five years				
		2018	2019	2020	2021	2022
Current assets		28,977,692	32,121,745	29,739,071	26,719,761	28,854,893
Property, plant and equipment		8,351,958	8,567,935	9,297,653	9,412,918	8,804,629
Intangible assets		867,785	1,246,856	1,156,321	906,544	871,773
Other assets (Note 3)		1,602,010	4,130,114	3,825,123	3,691,018	4,174,214
Total assets		39,799,445	46,066,650	44,018,168	40,730,241	42,705,509
Current liabilities	Before distribution	21,785,498	19,371,001	21,181,710	16,289,122	16,029,438
	After distribution (Note 2)	23,047,600	20,491,823	21,370,083	16,618,775	17,046,654
Non-current liabilities		3,880,330	11,972,063	8,872,186	10,116,432	10,843,166
Total liabilities	Before distribution	25,665,828	31,343,064	30,053,896	26,405,554	26,872,604
	After distribution (Note 2)	26,927,930	32,463,886	30,242,269	26,735,207	27,889,820
Equity attributable to owners of parent		14,133,617	14,723,586	13,964,272	14,324,687	15,832,905
Share capital		9,418,671	9,418,671	9,418,671	9,418,671	9,418,671
Capital reserve		-	-	-	-	4,981
Retained earnings	Before distribution	4,706,032	5,334,724	4,664,437	5,059,836	6,454,336
	After distribution (Note 2)	3,443,930	4,213,902	4,476,064	4,730,183	5,437,120
Other equity		8,914	(29,809)	(118,836)	(153,820)	(45,083)
Treasury stock		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	14,133,617	14,723,586	13,964,272	14,324,687	15,832,905
	After distribution (Note 2)	12,871,515	13,602,764	13,775,899	13,995,034	14,815,689

Note 1: Data for 2018-2022 have been reviewed and certified by an accountant in accordance with IFRSs.

Note 2: As of the date of report, the amount after dividend distribution in 2022 is according to the resolution of the Board of Directors on March 27, 2023 and pending resolution of the shareholders meeting.

Note 3: Other assets include non-current financial assets at fair value through other comprehensive income, investments recognized under the equity method, right-of-use assets, deferred income tax assets, advance payments for equipment, non-current net defined benefit assets, other non-current financial assets, and other non-current assets.

3. Condensed Statement of Comprehensive Income (Consolidated):

Unit: NT\$ thousands

Item \ Year	Financial statements for the past five years					
	2018	2019	2020	2021	2022	2023 Q1
Operating revenue	28,182,098	28,540,207	21,042,937	23,734,566	30,242,307	Note 2
Gross profit	3,639,590	3,810,641	1,402,101	1,771,473	2,910,997	Note 2
Operating profit or loss	2,346,158	2,445,366	179,824	491,341	1,506,988	Note 2
Non-operating income and expenses	305,860	(73,829)	299,799	183,355	527,979	Note 2
Net profit before tax	2,652,018	2,371,537	479,623	674,696	2,034,967	Note 2
Net income from continuing operations	2,092,016	1,874,287	395,858	558,013	1,627,333	Note 2
Losses from discontinued operations	-	-	-	-	-	Note 2
Net profit (loss) for the current period	2,092,016	1,874,287	395,858	558,013	1,627,333	Note 2
Other comprehensive income for the current period (net amount after-tax)	(91,468)	(22,216)	(34,350)	(9,225)	205,557	Note 2
Total comprehensive income for the period	2,000,548	1,852,071	361,508	548,788	1,832,890	Note 2
Profit attributable to owners of parent	2,092,016	1,874,287	395,858	558,013	1,627,333	Note 2
Net profit attributable to non-controlling interests	-	-	-	-	-	Note 2
Total comprehensive income attributable to owners of parent	2,000,548	1,852,071	361,508	548,788	1,832,890	Note 2
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-	Note 2
Earnings per share (NTD)	2.22	1.99	0.42	0.59	1.73	Note 2

Note 1: Data for 2018-2022 have been reviewed and certified by an accountant in accordance with IFRSs.

Note 2: As of the date of report, the financial information for 2023 Q1 has not been audited by an accountant and is therefore not disclosed.

4. Condensed Statement of Comprehensive Income (Standalone):

Unit: NT\$ thousands

Item \ Year	Financial statements for the past five years				
	2018	2019	2020	2021	2022
Operating revenue	28,156,144	28,515,619	21,020,879	23,711,193	30,215,337
Gross profit	3,596,641	3,752,713	1,354,943	1,725,942	2,862,239
Operating profit or loss	2,340,133	2,440,642	171,692	485,822	1,501,193
Non-operating income and expenses	267,966	(140,569)	234,401	125,604	477,038
Net profit before tax	2,608,099	2,300,073	406,093	611,426	1,978,231
Net income from continuing operations	2,092,016	1,874,287	395,858	558,013	1,627,333
Losses from discontinued operations	-	-	-	-	-
Net profit (loss) for the current period	2,092,016	1,874,287	395,858	558,013	1,627,333
Other comprehensive income for the current period (net amount after-tax)	(91,468)	(22,216)	(34,350)	(9,225)	205,557
Total comprehensive income for the period	2,000,548	1,852,071	361,508	548,788	1,832,890
Profit attributable to owners of parent	2,092,016	1,874,287	395,858	558,013	1,627,333
Net profit attributable to non-controlling interests	-	-	-	-	-
Total comprehensive income attributable to owners of parent	2,000,548	1,852,071	361,508	548,788	1,832,890
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-
Earnings per share (NTD)	2.22	1.99	0.42	0.59	1.73

Note 1: Data for 2018-2022 have been reviewed and certified by an accountant in accordance with IFRSs.

(II) Important matters that affect the condensed financial statements above, such as accounting changes, merger of companies, or suspension of business departments, and their effect on financial statements that year: None.

II.Name of CPA and auditors' opinions in the last five years

(I) Name of CPA and auditors' opinions in the last five years:

Year	Accounting firm name	Name of accountants	Audit opinions
2018	Deloitte Taiwan	Wu Li-Tung, Tseng Tung-Yun	Unqualified opinion
2019	Deloitte Taiwan	Wu Li-Tung, Tseng Tung-Yun	Unqualified opinion
2020	Deloitte Taiwan	Tseng Tung-Yun, Wu Li-Tung	Unqualified opinion
2021	Deloitte Taiwan	Wu Li-Tung, Su Ting-Chien	Unqualified opinion
2022	Deloitte Taiwan	Wu Li-Tung, Su Ting-Chien	Unqualified opinion

(II) If the accountants were replaced in the past five years, reason for the change given by the Company, previous accountant, and succeeding accountant:

The accountant was replaced in 2021 due to internal adjustments of the accounting firm.

(III) If the financial statements of a public company listed domestically or overseas were reviewed and certified by the same accountant for in past seven consecutive years, specify the reason why the accountant was not replaced, the independence of the accountant, and specific response measures for strengthening the independence of the accountant: None.

III. Financial analysis for the past five years

(I) Consolidated Financial Analysis – International Financial Reporting Standards (IFRS):

Item \ Year		Financial analysis for the past five years					
		2018	2019	2020	2021	2022	2023 Q1
Financial structure (%)	Debt ratio	64.50	68.05	68.28	64.84	62.92	Note 2
	Ratio of long-term capital to property, plant and equipment	203.18	301.28	236.20	250.60	290.00	Note 2
Liquidity (%)	Current ratio	133.06	165.83	140.62	164.27	180.30	Note 2
	Quick ratio	75.27	76.39	68.37	76.07	83.69	Note 2
	Interest protection multiples	20.89	11.84	3.55	6.04	13.44	Note 2
Operating ability	Receivables turnover (times)	2.25	1.93	1.75	2.71	3.53	Note 2
	Average collection days	162.22	189.11	208.57	134.68	103.39	Note 2
	Inventory turnover (times)	2.74	2.38	1.50	1.53	1.79	Note 2
	Payables turnover (times)	12.63	13.14	13.97	12.79	14.40	Note 2
	Average days of sales	133.21	153.36	243.33	238.56	203.91	Note 2
	Property, plant and equipment turnover (times)	3.30	3.37	2.35	2.53	3.31	Note 2
	Total asset turnover (times)	0.76	0.66	0.46	0.55	0.72	Note 2
Profitability	Return on assets (%)	5.97	4.76	1.19	1.56	4.21	Note 2
	Return on equity (%)	15.36	12.99	2.75	3.94	10.79	Note 2
	Pre-tax profit to paid-in capital ratio (%)	28.15	25.17	5.09	7.16	21.60	Note 2
	Net profit margin (%)	7.42	6.56	1.88	2.35	5.38	Note 2
	Earnings per share (NTD)	2.22	1.99	0.42	0.59	1.73	Note 2
Cash flows	Cash flow ratio (%)	-	0.07	22.86	27.71	15.04	Note 2
	Cash flow adequacy ratio (%)	59.77	50.54	58.45	65.67	74.31	Note 2
	Cash reinvestment ratio (%)	-	-	10.22	11.07	4.92	Note 2
Leverage	Operating leverage	1.56	1.55	8.84	3.90	1.92	Note 2
	Financial leverage	1.06	1.09	(894.64)	1.37	1.12	Note 2

Reasons for changes in financial ratios in the most recent two years (analysis of changes reaching 20% and above as follows):
In 2022, our military business benefited from the intensive deliveries of advanced jet trainers, our civilian business increased shipments as global air passenger traffic gradually recovered, and overall revenue significantly grew driven by energy and technical services. This improved our overall business performance with the main differences as follows:

1. The increase in interest protection multiples in 2022 was mainly due to the increase in earnings before interest and tax.
2. The increase in receivables turnover and decrease in average collection days in 2022 was mainly due to an increase in overall revenue and the decrease in average receivables.
3. The increase in property, plant and equipment turnover in 2022 was mainly due to the increase in revenue.
4. The increase in total assets turnover in 2022 was mainly due to the increase in revenue and decrease in average total assets.
5. The increase in return on assets in 2022 was mainly due to the increase in net profit after tax and decrease in average total assets.
6. The increase in return on equity, net income before tax to paid-in capital ratio, gross margin, and earnings per share in 2022 was mainly due to an increase in overall revenue and profits.
7. The decrease in cash flow ratio and cash reinvestment ratio in 2022 was mainly due to an increase in material purchases to meet business demand, which led to a decrease in net cash inflow from operating activities and an increase in cash dividends.
8. The decrease in operating leverage in 2022 was mainly due to the increase in costs and expenses that accompanied the increase in revenue, and also due to the increase in operating profit.

Note 1: Data for 2018-2022 have been reviewed and certified by an accountant in accordance with IFRSs.

Note 2: As of the date of report, the financial information for 2023 Q1 has not been audited by an accountant and is therefore not disclosed.

Note 3: The formulas for calculations in this table are as follows:

1. Financial structure
 - (1) Debt ratio = total liabilities / total assets.
 - (2) Ratio of long-term capital to property, plant and equipment = (value of equity+ non-current liabilities) / net amount of property, plant and equipment.
2. Liquidity
 - (1) Current ratio = current assets / current liabilities.
 - (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
 - (3) Interest protection multiples = net income before income tax and interest expense / current interest expense.
3. Operating ability
 - (1) Receivables (including accounts receivable and business-related notes receivable) turnover ratio = net sales / average balance of receivables for each period (including accounts receivable and business-related notes receivable).
 - (2) Average collection days = 365 / receivables turnover.
 - (3) Inventory turnover = cost of goods sold / average amount of inventory.
 - (4) Payables (including accounts payable and business-related notes payable) turnover = cost of goods sold / average balance of payables for each period (including accounts payable and business-related notes payable).
 - (5) Average days of sales = 365 / inventory turnover.
 - (6) Property, plant and equipment turnover = net sales / average net amount of property, plant and equipment.
 - (7) Total assets turnover = net sales / average total assets
4. Profitability
 - (1) Return on assets = [profit and loss after tax + interest expenses * (1 - tax rate)] / average total assets.
 - (2) Return on equity = income after tax / net average equity.
 - (3) Net profit margin = profit and loss after tax / net sales.
 - (4) Earnings per share = (Profit and loss attributable to owners of parent - stock dividends of preferred stocks) / weighted average number of outstanding shares. (Note 4)
5. Cash flows
 - (1) Cash flow ratio = net cash flows from operating activities / current liabilities.
 - (2) Net cash flow adequacy ratio = net cash flows from operating activities in the past five years / (capital expenditure + increase in inventory + cash dividends) in the past five years.
 - (3) Cash re-investment ratio = (net cash flows from operating activities - cash dividends) / (gross amount of property, plant and equipment + long-term investment + other non-current assets + operating capital). (Note 5)
6. Leverage
 - (1) Operating leverage = (net operating income - current operating costs and expenses) / operating profit. (Note 6)
 - (2) Financial leverage = operating profit / (operating profit - interest expenses).

Note 4: Notes for using the formula above for calculating EPS:

1. Based on the weighted average number of common shares and not the number of outstanding shares at the end of the year.
2. The period of shares from cash capital increase or treasury stock must be taken into consideration when calculating the weighted average number of shares.
3. When calculating EPS in previous years or half years after capital increase by earnings or capital surplus, adjustments must be made according to the ratio of capital increase and the duration does not need to be considered.
4. If preferred stock is non-convertible cumulative preferred stock, the dividends (regardless of whether it is distributed) shall be deducted from after-tax net income or added to after-tax net loss. If the preferred stock is non-cumulative and there is after-tax net income, dividends on preferred stock shall be deducted from after-tax net profit. In case of a loss, then no adjustment is necessary.

Note 5: Note for cash flow analysis:

1. Net cash flows from operating activities refers to the net cash flows from operating activities in the cash flow statement.
2. Capital expenditure refers to the cash outflows from capital investments each year.
3. Inventory increase is only calculated when the amount at the end of the period is greater than the beginning of the period, and is calculated at zero if inventory decreases at the end of the year.
4. Cash dividends include cash dividends on common shares and preferred shares.
5. Gross profit for property, plant, and equipment shall refer to the total amount for property, plant, and equipment before accumulated depreciation is deducted.

Note 6: Divide operating costs and operating expenses into fixed and variable based on their properties. If it involves estimates or subjective judgment, make sure it is reasonable and consistent.

(II) Individual Financial Analysis – International Financial Reporting Standards (IFRS):

Item \ Year		Financial analysis for the past five years				
		2018	2019	2020	2021	2022
Financial structure (%)	Debt ratio	64.48	68.03	68.27	64.83	62.92
	Ratio of long-term capital to property, plant and equipment	203.20	301.27	236.20	250.59	290.96
Liquidity (%)	Current ratio	133.01	165.82	140.39	164.03	180.01
	Quick ratio	75.17	76.29	68.13	75.75	83.39
	Interest protection multiples	20.57	11.52	3.16	5.57	13.10
Operating ability	Receivables turnover (times)	2.25	1.93	1.75	2.71	3.53
	Average collection days	162.22	189.11	208.57	134.68	103.39
	Inventory turnover (times)	2.74	2.38	1.50	1.53	1.80
	Payables turnover (times)	12.64	13.15	13.99	12.81	14.43
	Average days of sales	133.21	153.36	243.33	238.56	202.77
	Property, plant and equipment Turnover (times)	3.29	3.37	2.35	2.53	3.31
	Total asset turnover (times)	0.76	0.66	0.46	0.55	0.72
Profitability	Return on assets (%)	5.98	4.77	1.19	1.56	4.21
	Return on equity (%)	15.36	12.99	2.75	3.94	10.79
	Pre-tax profit to paid-in capital ratio (%)	27.69	24.42	4.31	6.49	21.00
	Net profit margin (%)	7.43	6.57	1.88	2.35	5.38
	Earnings per share (NTD)	2.22	1.99	0.42	0.59	1.73
Cash flows	Cash flow ratio (%)	-	0.39	23.29	27.93	15.42
	Cash flow adequacy ratio (%)	60.01	51.15	59.49	67.10	75.92
	Cash reinvestment ratio (%)	-	-	10.47	11.15	5.07
Leverage	Operating leverage	1.56	1.56	9.20	3.93	1.92
	Financial leverage	1.06	1.09	(20.96)	1.37	1.12
Reasons for changes in financial ratios in the most recent two years (analysis of changes reaching 20% and above as follows): In 2022, our military business benefited from the intensive deliveries of advanced jet trainers, our civilian business increased shipments as global air passenger traffic gradually recovered, and overall revenue significantly grew driven by energy and technical services. This improved our overall business performance with the main differences as follows: 1. The increase in interest protection multiples in 2022 was mainly due to the increase in earnings before interest and tax. 2. The increase in receivables turnover and decrease in average collection days in 2022 was mainly due to an increase in overall revenue and the decrease in average receivables. 3. The increase in property, plant and equipment turnover in 2022 was mainly due to the increase in revenue. 4. The increase in total assets turnover in 2022 was mainly due to the increase in revenue and decrease in average total assets. 5. The increase in return on assets in 2022 was mainly due to the increase in net profit after tax and decrease in average total assets. 6. The increase in return on equity, net income before tax to paid-in capital ratio, gross margin, and earnings per share in 2022 was mainly due to an increase in overall revenue and profits. 7. The decrease in cash flow ratio and cash reinvestment ratio in 2022 was mainly due to an increase in material purchases to meet business demand, which led to a decrease in net cash inflow from operating activities and an increase in cash dividends. 8. The decrease in operating leverage in 2022 was mainly due to the increase in costs and expenses that accompanied the increase in revenue, and also due to the increase in operating profit.						

Note 1: Data for 2018-2022 have been reviewed and certified by an accountant in accordance with IFRSs.

Note 2: The formulas for calculations in this table are as follows:

1. Financial structure
 - (1) Debt ratio = total liabilities / total assets.
 - (2) Ratio of long-term capital to property, plant and equipment = (value of equity+ non-current liabilities) / net amount of property, plant and equipment.
2. Liquidity
 - (1) Current ratio = current assets / current liabilities.
 - (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.

- (3) Interest protection multiples = net income before income tax and interest expense / current interest expense.
3. Operating ability
 - (1) Receivables (including accounts receivable and business-related notes receivable) turnover ratio = net sales / average balance of receivables for each period (including accounts receivable and business-related notes receivable).
 - (2) Average collection days = 365 / receivables turnover.
 - (3) Inventory turnover = cost of goods sold / average amount of inventory.
 - (4) Payables (including accounts payable and business-related notes payable) turnover = cost of goods sold / average balance of payables for each period (including accounts payable and business-related notes payable).
 - (5) Average days of sales = 365 / inventory turnover.
 - (6) Property, plant and equipment turnover = net sales / average net amount of property, plant and equipment.
 - (7) Total assets turnover = net sales / average total assets
4. Profitability
 - (1) Return on assets = [profit and loss after tax + interest expenses * (1 - tax rate)] / average total assets.
 - (2) Return on equity = income after tax / net average equity.
 - (3) Net profit margin = profit and loss after tax / net sales.
 - (4) Earnings per share = (Profit and loss attributable to owners of parent - stock dividends of preferred stocks) / weighted average number of outstanding shares. (Note 3)
5. Cash flows
 - (1) Cash flow ratio = net cash flows from operating activities / current liabilities.
 - (2) Net cash flow adequacy ratio = net cash flows from operating activities in the past five years / (capital expenditure + increase in inventory + cash dividends) in the past five years.
 - (3) Cash re-investment ratio = (net cash flows from operating activities - cash dividends) / (gross amount of property, plant and equipment + long-term investment + other non-current assets + operating capital). (Note 4)
6. Leverage
 - (1) Operating leverage = (net operating income - current operating costs and expenses) / operating profit. (Note 5)
 - (2) Financial leverage = operating profit / (operating profit - interest expenses).

Note 3: Notes for using the formula above for calculating EPS:

1. Based on the weighted average number of common shares and not the number of outstanding shares at the end of the year.
2. The period of shares from cash capital increase or treasury stock must be taken into consideration when calculating the weighted average number of shares.
3. When calculating EPS in previous years or half years after capital increase by earnings or capital surplus, adjustments must be made according to the ratio of capital increase and the duration does not need to be considered.
4. If preferred stock is non-convertible cumulative preferred stock, the dividends (regardless of whether it is distributed) shall be deducted from after-tax net income or added to after-tax net loss. If the preferred stock is non-cumulative and there is after-tax net income, dividends on preferred stock shall be deducted from after-tax net profit. In case of a loss, then no adjustment is necessary.

Note 4: Note for cash flow analysis:

1. Net cash flows from operating activities refers to the net cash flows from operating activities in the cash flow statement.
2. Capital expenditure refers to the cash outflows from capital investments each year.
3. Inventory increase is only calculated when the amount at the end of the period is greater than the beginning of the period, and is calculated at zero if inventory decreases at the end of the year.
4. Cash dividends include cash dividends on common shares and preferred shares.
5. Gross profit for property, plant, and equipment shall refer to the total amount for property, plant, and equipment before accumulated depreciation is deducted.

Note 5: Divide operating costs and operating expenses into fixed and variable based on their properties. If it involves estimates or subjective judgment, make sure it is reasonable and consistent.

IV. Audit Committee' review report on financial statements for the most recent year

Date: March 27, 2023

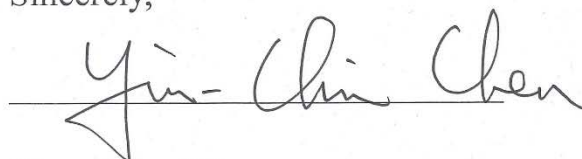
To: Aerospace Industrial Development Corporation
2023 Annual Shareholders' Meeting

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". The signature is written in a cursive, flowing style. The first name "Yin" is written with a large, stylized 'Y' that loops under the 'i'. The last name "Chen" is written with a large, stylized 'C' that loops under the 'h'. The middle name "Chin" is written in a more standard cursive script between the first and last names.

Chen, Yin-Chin
Chairman of the Audit Committee

- V. Consolidated Financial Statements and Independent Auditor's Report for the Most Recent Year:** Please refer to Appendix 1.
- VI. Standalone Financial Statements and Independent Auditor's Report for the Most Recent Year:** Please refer to Appendix 2.
- VII. The impact of financial difficulties on the Company's financial position:** If the Company and its affiliates did not have any financial difficulties in the most recent year and up to the date of report, and there was no impact on the Company's financial position.

Chapter 7. Discussion and analysis of financial standing and financial performance and risks

I. Analysis of financial position

(I) Review and analysis of consolidated financial position

Unit: NT\$ thousands

Item \ Year	2021	2022	Difference	
			Amount	%
Current assets	26,785,421	28,905,483	2,120,062	7.91
Property, plant and equipment	9,413,000	8,834,090	(578,910)	(6.15)
Intangible assets	906,575	871,773	(34,802)	(3.84)
Other assets (Note 2)	3,642,896	4,097,213	454,317	12.47
Total assets	40,747,892	42,708,559	1,960,667	4.81
Current liabilities	16,305,592	16,031,681	(273,911)	(1.68)
Non-current liabilities	10,117,613	10,843,973	726,360	7.18
Total liabilities	26,423,205	26,875,654	452,449	1.71
Share capital	9,418,671	9,418,671	0	0.00
Capital reserve	-	4,981	4,981	100.00
Retained earnings	5,059,836	6,454,336	1,394,500	27.56
Other equity	(153,820)	(45,083)	108,737	70.69
Total equity	14,324,687	15,832,905	1,508,218	10.53

Main reasons and impact of any material change in assets, liabilities, or equity during the last two years (changes reaching 20% and above and absolute amount of change reaches NT\$10 million) and future response plan are described below:

1. Increase in retained earnings: Mainly due to overall revenue growth from the military businesses, civilian businesses, and energy technology services, increase in utilization, and non-operating income from exchange gains, which led to an increase in net profit for the year.
2. Increase in other equity: Mainly due to the increase in total foreign exchange gains converted from the financial statements of the US subsidiary.

Note 1: Data for 2021 and 2022 have been reviewed and certified by an accountant in accordance with IFRSs.

Note 2: Other assets include non-current financial assets at fair value through other comprehensive income, investments recognized under the equity method, right-of-use assets, deferred income tax assets, advance payments for equipment, non-current net defined benefit assets, other non-current financial assets, and other non-current assets.

(II) Review and analysis of standalone financial position

Unit: NT\$ thousands

Item \ Year	2021	2022	Difference	
			Amount	%
Current assets	26,719,761	28,854,893	2,135,132	7.99
Property, plant and equipment	9,412,918	8,804,629	(608,289)	(6.46)
Intangible assets	906,544	871,773	(34,771)	(3.84)
Other assets (Note 2)	3,691,018	4,174,214	483,196	13.09
Total assets	40,730,241	42,705,509	1,975,268	4.85
Current liabilities	16,289,122	16,029,438	(259,684)	(1.59)
Non-current liabilities	10,116,432	10,843,166	726,734	7.18
Total liabilities	26,405,554	26,872,604	467,050	1.77
Share capital	9,418,671	9,418,671	0	0.00
Capital reserve	-	4,981	4,981	100.00
Retained earnings	5,059,836	6,454,336	1,394,500	27.56
Other equity	(153,820)	(45,083)	108,737	70.69
Total equity	14,324,687	15,832,905	1,508,218	10.53
Main reasons and impact of any material change in assets, liabilities, or equity during the last two years (changes reaching 20% and above and absolute amount of change reaches NT\$10 million) and future response plan are described below:				
1. Increase in retained earnings: Mainly due to overall revenue growth from the military businesses, civilian businesses, and energy technology services, increase in utilization, and non-operating income from exchange gains, which led to an increase in net profit for the year.				
2. Increase in other equity: Mainly due to the increase in total foreign exchange gains converted from the financial statements of the US subsidiary.				

Note 1: Data for 2021 and 2022 have been reviewed and certified by an accountant in accordance with IFRSs.

Note 2: Other assets include non-current financial assets at fair value through other comprehensive income, investments recognized under the equity method, right-of-use assets, deferred income tax assets, advance payments for equipment, non-current net defined benefit assets, other non-current financial assets, and other non-current assets.

II. Financial performance analysis

(I) Comparative analysis of consolidated financial performance in the past two years

Unit: NT\$ thousands

Item \ Year	2021	2022	Increase (Decrease)	Percentage of change (%)
Net operating revenues	23,734,566	30,242,307	6,507,741	27.42
Operating costs	21,963,093	27,331,310	5,368,217	24.44
Gross profit	1,771,473	2,910,997	1,139,524	64.33
Operating expenses	1,280,132	1,404,009	123,877	9.68
Net operating profit	491,341	1,506,988	1,015,647	206.71
Non-operating income and expenses	183,355	527,979	344,624	187.95
Net profit before tax	674,696	2,034,967	1,360,271	201.61
Income tax (gains) expenses	116,683	407,634	290,951	249.35
Net profit for the year	558,013	1,627,333	1,069,320	191.63
Other comprehensive income (net amount after tax)	(9,225)	205,557	214,782	2,328.26
Total comprehensive income for the period	548,788	1,832,890	1,284,102	233.99

Main reasons for material change in operating revenues, operating profit, or net income before tax during the last two years (changes reaching 20% and above and absolute amount of change reaches NT\$10 million) and future response plan are described below:

1. Increase in operating revenue and operating costs: Mainly due to our military business benefiting from the intensive deliveries of advanced jet trainers, our civilian business increasing shipments as global air passenger traffic gradually recovered, and overall revenue significantly growing driven by energy technology services. Our operating costs increase accordingly.
2. Increase in gross profit, net operating profit, net profit before tax, and net profit for the year: Mainly due to overall revenue growth, increase in utilization, and non-operating income from exchange gains, which led to an increase in profit.
3. Net increase in non-operating income and expenses: Mainly due to an increase in exchange gains.
4. Increase in income tax expense: Mainly due to the increase in net profit before tax this year.
5. Increase in other comprehensive income (OCI) for this period (net amount after tax): Mainly due to the increase in total exchange gains converted from financial statements in foreign currencies.
6. Increase in total comprehensive income for the period: Mainly due to the increase in net profit for the year and other comprehensive income compared with last year.

Note: Data for 2021 and 2022 have been reviewed and certified by an accountant in accordance with IFRSs.

(II) Comparative analysis of standalone financial performance in the past two years

Unit: NT\$ thousands

Item \ Year	2021	2022	Increase (Decrease)	Percentage of change (%)
Net operating revenues	23,711,193	30,215,337	6,504,144	27.43
Operating costs	21,985,251	27,353,098	5,367,847	24.42
Gross profit	1,725,942	2,862,239	1,136,297	65.84
Operating expenses	1,240,120	1,361,046	120,926	9.75
Net operating profit	485,822	1,501,193	1,015,371	209.00
Non-operating income and expenses	125,604	477,038	351,434	279.80
Net profit before tax	611,426	1,978,231	1,366,805	223.54
Income tax (gains) expenses	53,413	350,898	297,485	556.95
Net profit for the year	558,013	1,627,333	1,069,320	191.63
Other comprehensive income (net amount after tax)	(9,225)	205,557	214,782	2,328.26
Total comprehensive income for the period	548,788	1,832,890	1,284,102	233.99

Main reasons for material change in operating revenues, operating profit, or net income before tax during the last two years (changes reaching 20% and above and absolute amount of change reaches NT\$10 million) and future response plan are described below:

1. Increase in operating revenue: Mainly due to our military business benefiting from the intensive deliveries of advanced jet trainers, our civilian business increasing shipments as global air passenger traffic gradually recovered, and overall revenue significantly growing driven by energy technology services. Our operating costs increase accordingly.
2. Increase in gross profit, net operating profit, net profit before tax, and net profit for the year: Mainly due to overall revenue growth, increase in utilization, and non-operating income from exchange gains, which led to an increase in profit.
3. Net increase in non-operating income and expenses: Mainly due to an increase in exchange gains.
4. Increase in income tax expense: Mainly due to the increase in net profit before tax this year.
5. Increase in other comprehensive income (OCI) for this period (net amount after tax): Mainly due to the increase in total exchange gains converted from financial statements in foreign currencies.
6. Increase in total comprehensive income for the period: Mainly due to the increase in net profit for the year and other comprehensive income compared with last year.

Note: Data for 2021 and 2022 have been reviewed and certified by an accountant in accordance with IFRSs.

(III) Expected sales volume and its basis

The Company's sales figures are based on market demand and development trends, the business situation of customers, the Company's current purchase orders, and after considering the Company's production capacity. The COVID-19 pandemic ravaged the world in 2020 and the spread of new variants caused countries to maintain tight border controls. Fortunately, the availability of the most needed vaccines provided a relief and the aviation industry gradually recovered from the impact. Unfavorable factors in the overall environment impacted business opportunities of the global aerospace manufacturing industry in 2022, and demand growth in the Company's civilian business was slower than expected.

(IV) Potential impact on the Company's future financial position and business performance and response plan

COVID-19 devastated the aviation industry in 2020, and the IATA expects global air passenger traffic to return to pre-pandemic levels as soon as 2024. In response to the severe business challenges brought by the pandemic, the Company will use the balanced scorecard with corporate sustainability at the core. Key work items in 2022 include accelerating the mass production and delivery of the new Brave Eagle advanced jet trainer, completing modifications of F-16V according to schedule and quality requirements, and commercial maintenance of IDF and military helicopter systems. Stabilize and expand civil aviation businesses and enhance civil aviation production technologies. Extend aviation technical capabilities, seize business opportunities in energy storage systems and carbon reduction, and expand technology services, including advanced simulation and satellite parts, to maintain stable business operations.

III. Cash Flow and Liquidity Analysis

(I) Consolidated liquidity analysis for the past two years

Year/Item	2021	2022	Percentage of increase (decrease) (%)
Cash flow ratio (%)	27.71%	15.04%	(12.67)%
Cash flow adequacy ratio (%)	65.67%	74.31%	8.64%
Cash reinvestment ratio (%)	11.07%	4.92%	(6.15)%

Analysis and explanation of the increase or decrease of ratio:

1. Decrease in cash flow ratio:

Mainly due to an increase in material purchases to meet business demand, which led to a decrease in cash inflow from operating activities.

2. Increase in cash flow adequacy ratio:

Mainly due to an increase in net cash inflow from operating activities in the past 5 years.

3. Decrease in cash reinvestment ratio:

Mainly due to a decrease in net cash inflow from operating activities and increase in cash dividends.

Note: Data for 2021 and 2022 have been reviewed and certified by an accountant in accordance with IFRSs.

(II) Individual liquidity analysis for the past two years:

Year/Item	2021	2022	Percentage of increase (decrease) (%)
Cash flow ratio (%)	27.93%	15.42%	(12.51)%
Cash flow adequacy ratio (%)	67.10%	75.92%	8.82%
Cash reinvestment ratio (%)	11.15%	5.07%	(6.08)%

Analysis and explanation of the increase or decrease of ratio:

1. Decrease in cash flow ratio:

Mainly due to an increase in material purchases to meet business demand, which led to a decrease in cash inflow from operating activities.

2. Increase in cash flow adequacy ratio:

Mainly due to an increase in net cash inflow from operating activities in the past 5 years.

3. Decrease in cash reinvestment ratio:

Mainly due to a decrease in net cash inflow from operating activities and decrease in cash dividends.

Note: Data for 2021 and 2022 have been reviewed and certified by an accountant in accordance with IFRSs.

(III) Liquidity analysis for the coming year: N/A.

IV. Effect of major capital expenditures on finance and business in the past year:

(I) Status of major capital expenditures and source of funds

Unit: Thousand NTD

Project Item	Actual or expected source of funds	Expected date of completion	Total funding required	Actual or expected fund use		
				2021	2022	2023
Production equipment	Self-own funds and bank financing	May, 2023	677,614	136,915	201,126	329,573

(II) Expected benefits

- 1,200 ton stretching machine project: The Company's highest skin stretching capacity is currently from one 750 ton stretching machine that has been used for over 30 years. The machine is old and frequently malfunctions. To lower the risk of equipment malfunction affecting delivery due to no backup machines, the Company plans to purchase a 1,200 ton stretching machine to increase large stainless steel part and stretching capacity, and thereby enhance the Company's competitiveness.
- Taiwan Power Company energy storage system 2/3 construction projects: In light of the good revenues from the first 5MW energy storage system installed in 2021, Taiwan Power Company has been strongly promoting energy storage business opportunities, and AIDC will install a 5MW energy storage system in the south and north plants of Shalu. AIDC will accelerate its efforts to join the day-ahead ancillary services trading platform of Taiwan Power Company, in order to generate new streams of revenue and expand related businesses in the future.

V. Investment policy in the past year, profit/loss analysis, improvement plan, and investment plan for the coming year

The Company's investment policy is aligned with the overall business strategy, and seeks complementing resources that will enhance its core capabilities. Besides securing and extending current core businesses, we also hope to accelerate the development of market opportunities to achieve the Company's vision.

The Company invested in 6 companies in 2022, in which 2 companies suffered losses, see the description of profit/loss of investee companies (see attachment). The Company will continue to make investments and integrate the development of its businesses to improve the business performance of investee companies.

December 31, 2022 / Unit: NT\$ thousands

Industry	Name of investee	Amount of profit/loss	Main reason for profit or loss	Improvement plan
Aviation manufacturing	US subsidiary of AIDC (AIDC USA LLC)	189,383	The main reason for the profit was the active development of services and gains from investments.	-
Metal products manufacturing	Jung Sheng Precision Ind. Co., Ltd.	(46,501)	The main reason for the loss was the COVID-19 pandemic that led to a significant decrease in purchase orders of aerospace businesses.	Projects to generate new streams of revenue include actively seeking purchase orders from the National Chung-Shan Institute of Science and Technology, Armaments Bureau, and non-aerospace purchase orders.
Aerospace electronics	AeroVision Avionics Inc.	1,001	Profits were mainly due to the recovery in number of purchase orders after the pandemic subsided, exchange gains, and remuneration of directors and supervisors.	-
Track consulting	Metro Consulting Service Ltd.	3,099	The main reason for the profit was the active development of services and effective control of operating expenses.	-
Others	UHT Unitech Co., Ltd.	(98,781)	The main reason for the loss was the impact of the COVID-19 pandemic, which	Actively carry out construction of the Caotun

Industry	Name of investee	Amount of profit/loss	Main reason for profit or loss	Improvement plan
			limited the expansion of product channels and delayed the Caotun Complex Construction Project, causing a delay in production and sales.	Complex to achieve mass production and sales in 2023.

Note: Hsiang Yuan Co., Ltd. completed registration of incorporation on December 21, 2022 and completed tax registration on December 27, 2022.

VI. Risks and assessment for the most recent year and up to the date of report

(I) Impact of interest rate and exchange rate changes and inflation on the Company's profit and response measures

Interest income in 2022 was NT\$15,028 thousand, accounting for 0.05% of consolidated revenue. Interest expense of NT\$163,496 thousand accounted for 0.54% of consolidated revenue shows that interest expense does not have a material impact on the Company's profit and loss. In the future, the Company will adjust the utilization of funds in a timely manner based on changes in financial interest rates, in order to mitigate the impact of changes in interest rates on the Company's profit or loss.

1. The effect of exchange rate fluctuations on earnings and losses of the Company as well as response measures:

Net exchange losses in 2022 was NT\$522,701 thousand, accounting for 1.73% of consolidated revenue. The Company's exports and purchases are mainly in USD. The Company has taken the following measures in response to the impact of exchange rate fluctuations:

- (1) Collect information on exchange rates at all times, and consult financial institutions for planning foreign exchange hedging strategies to stay up-to-date on trends in exchange rates.
- (2) Flexibly utilize the offset effect of receivables to lower the impact of exchange rate fluctuations.
- (3) The Procedures Governing Derivatives Trading were established according to regulations of the competent authority. Trades are made based on the principle of hedging and not speculation, and hedging is carried out when appropriate to mitigate the impact of exchange rate fluctuations.

2. The effects that inflation has on earnings and losses of the Company as well as response measures:

- (1) According to the announcement by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, the annual growth rate of Consumer Price Index (CPI) was 2.95% and Core CPI was 2.6% in 2022. Hence, inflation risk was still within the acceptable range.

Note: Core CPI refers to CPI after eliminating interference from short-term events or incidents (such as typhoons, war, etc.). In Taiwan, Core CPI is the CPI excluding fresh fruits and vegetables and energy (gas, electricity fees, fuel fees).

- (2) The Company will continue to strictly control cost through raw materials inventory management, procurement strategy, and process innovation. Furthermore, we will continue to monitor inflation for product pricing, and make suitable adjustments. Hence, inflation will not have a material impact on operations and profits.

(II) Policies of engaging in high-risk, high-leverage investments, lending to others, providing endorsement and guarantee, and derivatives transactions, profit/loss analysis, and future response measures

1. Based on the business philosophy of steady and pragmatic, aside from trading forward exchange contracts for hedging, the Company does not engage in high risk or high leverage investments and financial operations.
2. The Company's board of directors on July 30, 2007 adopted the resolution do not lend to others and provide endorsements or guarantees to others.
3. The Company established the Procedures Governing Derivatives Trading according to regulations of the competent authority, providing the basis for derivatives trading. The Company did not engage in derivatives trading in 2022 and up to March 2023.

(III) Future R&D projects and expected R&D expenses

The Company continues to develop proprietary products and improve its technical capabilities to achieve the mission of national self-reliant defense. We collaborate with the National Chung-Shan Institute of Science and Technology and utilize complementing capabilities to develop key technologies, thereby strengthening the niche of our defense business.

The Company is working with domestic industries in hopes of making technological breakthroughs, so that items that were originally designed, developed, or purchased from foreign companies can be produced domestically. The Company is actively expanding the defense business and further upgrading the technologies of Taiwan's aerospace industry. We are also developing EMS technologies in coordination with the government policy of energy transition, in order to seize energy business opportunities.

We have increased R&D personnel and expenses in recent years to meet the requirements of business development and purchase orders. In the future, we will continue to invest 2-4% of revenue into R&D expenses, in hopes of achieving the business goals that were planned.

(IV) The effect of changes in important domestic and foreign policies and laws on the Company's financial position and business operations, and response measures x20 Public Affairs and Legal Affairs Division

The Company's operations are in compliance with domestic and overseas laws and regulations. We monitor changes in domestic and overseas policies and laws, and formulate risk response measures and control measures for the changes.

(V) The impacts of technology changes (including information security risks) and industry changes on the Company's financial position and business performance, and response measures

The negative impact of climate change has been scientifically proven in recent years, and has drawn attention from international society, multinational enterprises, and local organizations. Countries around the world have set goals to achieve net zero emissions in response to the global trend of net zero emissions, and Taiwan also declared: "The transition to net zero emissions by 2050 is the world's goal and also Taiwan's goal."

In the aviation industry, the IATA adopted the resolution for the global air transport industry to achieve net zero emissions before 2050. The two global leaders of the aerospace manufacturing industry, Boeing and Airbus, are also supporting carbon reduction actions, and encourage their suppliers around the world to disclose carbon emissions.

AIDC is the leader of the domestic aviation industry and planned a pathway to carbon neutrality by 2050 under Taiwan's goal of net zero emissions and the carbon reduction appeal of major international aerospace companies (Boeing, Airbus, etc.). The pathway is implemented in three phases through a five-year project. Work items recently implemented, including solar panel installation, energy conservation works, and process improvement/waste reduction. In the internal waste reduction process, AIDC is actively seizing opportunities in the energy creation, energy storage, and energy control/use markets brought by the trend of energy transition, which has a positive effect on the Company's financial performance.

AIDC obtained the international standard certification ISO 27001 ISMS in August 2008, passed reviews every year, and was reissued certificates every three years. The Company strengthens information security of network and computer software/hardware from system, management, and technology aspects. However, information security measures still cannot guarantee that data loss or suspension of information system services due to information security incidents (computer viruses, ransomware, cyberattacks, natural disasters, force majeure, and other threats) can be entirely avoided. Facing the rapidly changing information security threats, the Company has taken response measures, including establishing the information security system architecture and protection system, enhancing information security capabilities, information security inspections and tests, information security education and promotion, and joining information security joint defense. We carry out business continuity and emergency recovery drills, information security incident reporting and response, and rehearsals to reduce the losses caused by cyberattacks.

(VI) Impact of corporate image change on risk management and response measures

The Company upholders the business philosophy and corporate culture of "accountability, innovation, concentration, customer-orientation," and strives to improve aircraft manufacturing technologies and quality management, strengthen customer relationships, create customer value, and further improve quality and efficiency through internal management and external review mechanisms. The Company has a good corporate image, and there has not been any crises caused by major changes in corporate image.

(VII) Expected benefits and potential risks of merger and acquisition and response measures

The Company has not made any plans to merge with or acquire other companies in the past year and up to the date of report. If the Company makes any merger and acquisition plans in the future, it will carry out careful evaluation, fully consider the synergies of merging, and handle matters according to related laws and the Company's internal regulations, in order to protect the Company's interests and shareholders' equity.

(VIII) Expected benefits and potential risks of capacity expansion and response measures

1. The board of directors approved the "1,200 Ton Stretching Machine" project on March 27, 2020. Its expected benefits, potential risks, and response measures are described below:

- (1) Expected benefits: The Company's highest skin stretching capacity is from a 750 ton stretching machine that has been used for 30 years and frequently malfunctions. To lower the risk of equipment

malfunction affecting delivery due to no backup machines, the Company plans to purchase a 1,200 ton stretching machine to increase large stainless steel part and passenger aircraft skin stretching capacity, and thereby ensure the stability of the Company's operations and the Company's competitiveness.

- (2) Potential risks and response measures: We completed an evaluation of the procurement schedule, business volume, cost of production, source of funds, and the continued impact of the COVID-19 pandemic with respect to the 1,200 ton stretching machine. Assuming that the total budget remains the same, the machine procurement and installation schedule was delayed and commissioning is planned for 2023; production will formally begin in June 2023, and will still help us seize business opportunities as the civilian market recovers. We have set management goals and backup plans for related risks.
2. The board of directors approved the "Investment plan in second and third energy storage systems in the Sha-Lu Complex" on May 6, 2022. Its expected benefits, potential risks, and response measures are described below:
- (1) Expected benefits: In light of the good revenues from the first 5MW energy storage system installed in 2021, Taiwan Power Company has been strongly promoting energy storage business opportunities, and AIDC will install a 5MW energy storage system in the south and north plants of Shalu. AIDC will accelerate its efforts to join the day-ahead ancillary services trading platform of Taiwan Power Company, in order to generate new streams of revenue and expand related businesses in the future.
 - (2) Potential risks and response measures: The Ministry of the Interior announced the "Fire Safety Management Guidelines for Energy Storage Systems" on August 17, 2022 for grid-connected energy storage site, with consideration to the safety of outdoor energy storage systems. It further announced the "Voluntary Product Certification (VPC) for Outdoor Energy Storage Systems" in November the same year. New sites must comply with regulations before joining Taiwan Power Company's trading platform. VPC for the two sites will take about 1-2 months and will be completed on May 31, 2023; production will begin in June.

(IX) Risks associated with over-concentration in purchase or sale and response measures

1. Risk assessment and response measures for over-concentration in purchase:

The Company's purchases are made according to purchasing rules. Depending on the nature of the purchase, tendering methods include open tendering, selective tendering, restricted tendering, and inter-entity supply contract. The Company's top 10 suppliers accounted for 38.64%, 38.97%, and 43.82% of purchases in the past three years, respectively, while the largest supplier accounted for 18.77%, 9.82%, and 15.99% of purchases, respectively. There is no single supplier that accounts for 20% and above of purchases. The Company has built a good relationship with its major suppliers, and deliveries in the past three years were acceptable. There was no shortage, suspension, or delay of supply that affected production, and purchases are not over concentrated.

2. Risk assessment and response measures for over-concentration in sales:

The Company shoulders the mission of the policy to "implement national self-reliant defense, guide industry upgrade, develop the aerospace industry, and promote economic prosperity." In the past, the Company's sales was mainly concentrated in the MND. However, as AIDC's aviation technologies gradually attracted the attention of major international aerospace companies, AIDC actively developed new aircraft and engine customers overseas, and our business has shifted from military to equal emphasis on military and civilian. Our largest customer the MND initially accounted for over 90% of sales, but the percentage accounted for by our military business has decreased as our civilian business

grew in the past few years. Hence, there is no risk of over-concentration in sales.

(X) The effects and risks of large-scale share transfers or conversions by directors, supervisors, or major shareholders holding more than 10% of the Company's shares, and response measures: No such occurrences in 2022 and 2023 up to the date of report.

(XI) The effect of changes in management right on the Company, risks, and response measures: The MOEA will continue to maintain a certain shareholding percentage and remain the largest shareholder. Hence, there will not be any adverse effects on management right due to changes in shareholding.

(XII) Litigation or non-litigation events:

- 1. Litigation, non-litigation, or administrative events in the past two years and up to the date of report that have been determined by verdict of a court or are still pending, the results of which may have a significant impact on shareholders' equity or securities prices, and the facts in dispute, the amount of the subject matter, date of commencement of litigation, main parties involved in litigation, and current handling situation:** The Company is currently involved in two lawsuits that have not yet been concluded, but neither has a material effect on shareholders' equity or stock prices.
- 2. Events in which the Company's directors, supervisors, presidents, substantial persons-in-charge, major shareholders holding more than 10% of shares, or subordinate companies are involved that have been determined by verdict of a court or are still pending in a litigation, non-litigation, or administrative event in the past two years and up to the date of report, the outcome of which may have a significant impact on shareholder equity or securities prices:** None.

(XIII) Management of risks brought by the COVID-19 pandemic and response measures

New variants of COVID-19 were brought under control in 2022. The Company still lists COVID-19 as a risk, and continues to carry out risk management and formulate response measures for operations and epidemic prevention during daily intelligence meetings of the senior management team, successfully achieving the goal of no business suspensions in 2022.

- 1. Operations:** The Company formulated three response measures "increase profits, cut costs, and deep squat" supported by accountable and lean efforts. We collect information through the Business Intelligence Collection Center to monitor the global recovery of aircraft manufacturing.
- 2. Epidemic prevention:** The Company made rolling adjustments to the Employee Code of Conduct for COVID-19 Response Measures, and continues to carry out environment disinfection, temperature measurement, and screening to provide employees with a safe workplace. The Company gradually relaxed epidemic prevention measures according to rules of the Central Epidemic Command Center. Furthermore, the Company continued to provide employees with 2 days of official leave for being vaccinated, and encourages employees to pay attention to their health.

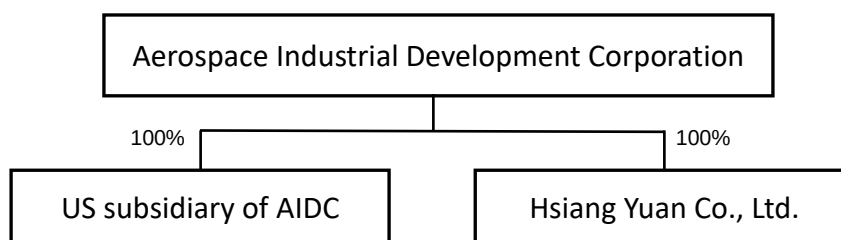
VII. Other important matters: None.

Chapter 8. Special notes

I. Information on affiliated enterprises:

(I) Organization chart of affiliated enterprises

As of December 31, 2022



(II) Profile of affiliates

December 31, 2022

Company name	Date of Incorporation	Address	Paid-in capital	Main business items
US subsidiary of AIDC (AIDC USA LLC)	2016.03.02	565 W Chandler Blvd, STE 212, Chandler, AZ 85225-7537	9,470 (thousand USD)	Supply of project management services, trading of components and raw materials for aircrafts, engines, related sub-power systems, logistics, and other labor services
Hsiang Yuan Co., Ltd.	2022.12.21	No. 176, Lane 20, Zhongzhen Rd., Shalu District, Taichung City	15,000 (thousand NTD)	Training event services, venue and building lease, retail of cultural creative products and assistive medical devices, and catering

(III) Information on identical shareholders of companies presumed to have control and subsidiary relationship: None.

(IV) Businesses included in the affiliated enterprises' overall operations: The business scope of the Company's affiliates are provided in the profile of affiliates.

(V) Information on directors, supervisors and managers of affiliates

December 31, 2022 / Unit: Thousand shares

Company name	Title	Name or representative	Shareholding	
			Shares	Shareholding ratio
US subsidiary of AIDC (AIDC USA LLC)	Chairman President	Hu, Kai-Hung Ni Chin-Feng (acting)	AIDC's capital contribution was US\$9.47 million (Note)	100%
Hsiang Yuan Co., Ltd.	Chairman President	Wang, Chen-Hsing Wu, Ching-Wen	1,500	100%

Note: In the form of a limited liability company that has not issued shares, so there are no shares held.

(VI) Business overview of affiliated enterprises

December 31, 2022

Company name	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit	Income/loss for the current period (after tax)
US subsidiary of AIDC (AIDC USA LLC)	US\$9,470 thousand	US\$51,209 thousand	US\$448 thousand	US\$50,761 thousand	US\$2,413 thousand	US\$194 thousand	US\$6,354 thousand
Hsiang Yuan Co., Ltd. (Note)	NT\$15,000 thousands	NT\$15,000 thousands	0	NT\$15,000 thousands	0	0	0

Note: Hsiang Yuan Co., Ltd. completed registration of incorporation on December 21, 2022 and completed tax registration on December 27, 2022.

(VII) Financial statements of affiliated enterprises

We hereby declare that companies that are to be included in the consolidated financial statements in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are the same as companies that are to be included in consolidated financial statements of the parent company in accordance with IFRS10 in 2022 (From January 1 to December 31, 2020). All information on affiliated enterprises that must be disclosed in the consolidated financial statements was already disclosed in the abovementioned consolidated financial statements. Hence, we did not separately prepare consolidated financial statements of affiliated enterprises.

II. Private placement of securities in the most recent year and up to the date of report: None.

III. Holding or disposal of stocks of the Company by subsidiaries in the past year and up to the date of report: None.

IV. Other necessary supplemental information: None.

V. Matters, if any, that may affect shareholders' equity or securities prices as defined in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act in the most recent year and up to the date of report: None.

Appendix 1 Consolidated Financial Statements and Independent Auditor's Report for the Most Recent Year



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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Aerospace Industrial Development Corporation

Opinion

We have audited the accompanying consolidated financial statements of Aerospace Industrial Development Corporation and its 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	%
ASSETS				
CURRENT ASSETS				
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>
NON-CURRENT ASSETS				
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>
TOTAL	<u>\$ 42,708,559</u>	<u>100</u>	<u>\$ 40,747,892</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
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>
NON-CURRENT LIABILITIES				
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>
EQUITY				
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>
TOTAL	<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)		
	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	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 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)

	For the Year Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
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>
CASH FLOWS FROM INVESTING ACTIVITIES		
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)

	For the Year Ended December 31	
	2022	2021
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>
CASH FLOWS FROM FINANCING ACTIVITIES		
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>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>4,932</u>	<u>(1,465)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	821	(1,274,909)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>3,312,656</u>	<u>4,587,565</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 3,313,477</u>	<u>\$ 3,312,656</u>

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

(Concluded)

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Aerospace Industrial Development Corporation (the “Company”) was a state-owned enterprise formed by the Ministry of Economic Affairs on July 1, 1996 from Aero Industry Development Center, Chung-Shan Institute of Science and six other state-owned enterprises. The Company and its Subsidiaries (collectively referred to as the “Group”) mainly engage in business categories as follows: design, manufacture, assembly, testing and maintenance of aircraft, engines, avionics and related components; consulting services and technology transfers of aerospace technology, logistical support and engineering technology management of large-scale projects; engineering and development of software and sales of aerospace products.

In July 2001, the initial public offering of the Company was approved by the Securities and Futures Commission (renamed as Securities and Futures Bureau of the Financial Supervisory Commission (FSC) of the Republic of China (ROC)). On September 13, 2013, in accordance with Rule No. 1020055531, the Company started its privatization process. On August 25, 2014, the Company was listed on the Taiwan Stock Exchange.

The consolidated financial statements are presented in the Company’s functional currency, New Taiwan dollars.

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on March 27, 2023.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2023

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occurred on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group's financial position and financial performance.

- c. The IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" (referred to as the "2020 amendments") and "Non-current Liabilities with Covenants" (referred to as the "2022 amendments")

The 2020 amendments clarify that for a liability to be classified as non-current, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right.

The 2020 amendments also stipulate that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date. The 2022 amendments further clarify that only covenants with which an entity is required to comply on or before the reporting date should affect the classification of a liability as current or non-current. Although the covenants to be complied with within twelve months after the reporting period do not affect the classification of a liability, the Group shall disclose information that enables users of financial statements to understand the risk of the Group that may have difficulty complying with the covenants and repay its liabilities within twelve months after the reporting period.

The 2020 amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group's own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Group's own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32: Financial Instruments: Presentation, the aforementioned terms would not affect the classification of the liability.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact of the application of other standards and interpretations on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within twelve months after the reporting period, and

- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., subsidiaries).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

See Note 10 and Table 5 for the detailed information on subsidiaries (including the percentage of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual entity in the Group, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting year, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and the entities in the Group (including subsidiaries, in other countries that use currency different from the currency of the Company) are translated into the presentation currency - New Taiwan dollars. Income and expense items are translated at the average exchange rates for the year. The resulting currency translation differences are recognized in other comprehensive income.

f. Inventories

Inventories consist of raw materials and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Raw materials and supplies are recorded at moving weighted-average cost and work-in-process items are recorded at standard cost but adjusted to weighted-average cost on the balance sheet date.

g. Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associates. The Group also recognizes the changes in the Group's share of equity of associates.

When the Group subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method.

The entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from investment and the carrying amount of the investment is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When the Group transacts with its associate, profits and losses resulting from the transactions with the associates are recognized by the Group in its consolidated financial statements only to the extent of interests in the associates that are not related to the Group.

h. Property, plant and equipment

Property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the development phase of an internal project is recognized if, and only if, all of the following have been demonstrated:

- a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- b) The intention to complete the intangible asset and use or sell it;
- c) The ability to use or sell the intangible asset;
- d) How the intangible asset will generate probable future economic benefits;
- e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- f) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Impairment of property, plant and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

Financial assets are classified into the following categories: financial assets at amortized cost and equity instruments at FVTOCI.

i. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes receivable, trade receivables, overdue receivables, other receivables, other financial assets and refundable deposits are measured at amortized cost, which equals to gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and
- ii) Financial asset that has subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;

- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

ii. Investments in equity instruments at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets and contract assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables and overdue receivables), as well as contract assets.

The Group always recognizes lifetime Expected Credit Loss (ECL) for trade receivables, overdue receivables and contract assets. For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

l. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Provision for the expected cost of warranty obligations is recognized at the date of sale of the relevant products, at the Group's best estimate of the expenditure required to settle the obligation.

m. Revenue recognition

The Group identifies the contract with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

For the considerations that have been received from customers, the obligation to transfer goods or services to customers is recognized as a contract liability.

As the Group provides manufacturing or maintenance services, customers simultaneously receive the benefits with no alternative use to the Group. The Group measures the progress on the basis of costs incurred relative to the total expected costs as there is a direct relationship between the costs incurred and the progress of satisfying the performance obligations. Revenue and contract assets are recognized during the progress and are reclassified to trade receivables at a point in time when transferring goods or services to the customers.

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of aerospace goods. When the goods are shipped or delivered to the customer's specific location, the customer has full discretion over the manner of utilization and bears the risk of the goods. Trade receivables and revenue are recognized concurrently.

2) Revenue from rendering of services

Revenue from rendering of services comes from aircraft maintenance, logistics management and industrial technology services.

n. Leasing

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

The Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19, that results in the revised consideration for the lease less than the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Group elects to apply the practical expedient to all of these rent concessions lease contracts and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss, in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

o. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

p. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and recognized in profit or loss on a systematic and rational basis over the useful lives of the related assets.

q. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liability are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

r. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforward to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes

Current and deferred tax as are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations, and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis by management. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key Sources of Estimation Uncertainty - Write-down of Inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and the historical experience from selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
Cash on hand and petty cash	\$ 601	\$ -
Checking accounts and demand deposits	2,975,066	2,812,912
Cash equivalents		
Time deposits with original maturities of three months or less	337,810	-
Repurchase agreements collateralized by bills	-	499,744
	<u>\$ 3,313,477</u>	<u>\$ 3,312,656</u>
<u>Rates of bank balance (%)</u>		
Demand deposits	0.00-3.55	0.00-0.20
Time deposits	3.50-4.68	-
Repurchase agreements collateralized by bills	-	0.25

7. FINANCIAL ASSETS AT FVTOCI - NON-CURRENT

	December 31	
	2022	2021
<u>Emerging market shares</u>		
UHT Unitech Co Ltd. (UHT Ltd.)	<u>\$ 13,805</u>	<u>\$ 12,705</u>
<u>Unlisted ordinary shares</u>		
Aerovision Avionics Inc. (AAI)	27,400	32,016
Metro Consulting Service Ltd. (Metro Ltd.)	<u>2,168</u>	<u>2,162</u>
	<u>29,568</u>	<u>34,178</u>
	<u>\$ 43,373</u>	<u>\$ 46,883</u>

These investments in equity instruments are held for medium- to long-term strategic purposes and expect to earn profits from long-term investment. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

8. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2022	2021
Notes receivable	\$ <u>3,651</u>	\$ <u>16,203</u>
<u>Trade receivables from unrelated parties</u>		
At amortized cost		
Gross carrying amount	\$ 8,203,664	\$ 8,398,365
Less: Allowance for impairment loss	<u>(10)</u>	<u>(120)</u>
	\$ <u>8,203,654</u>	\$ <u>8,398,245</u>

The Group's customers are mostly national defense organizations and international aerospace corporations. The international aerospace corporations' average credit period of sales of goods is 60 to 120 days in average. Trade receivables from government depends on budget allocation. The Group adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is obtained from independent rating agencies where available or, if not available, the Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group uses the lifetime expected loss provision for all trade receivables to providing for expected credit losses. The expected credit losses on trade receivables are estimated using a provision matrix approach considering the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of notes receivable, trade receivables and overdue receivables (accounted as other non-current assets):

	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 365 Days	Over 365 Days	Total
<u>December 31, 2022</u>						
Expected credit loss rate	0%	0.17%	2.10%	4.64%	100%	
Gross carrying amount	\$ 8,202,416	\$ 4,814	\$ 85	\$ 836	\$ 12,497	\$ 8,220,648
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>(8)</u>	<u>(2)</u>	<u>(37)</u>	<u>(12,497)</u>	<u>(12,544)</u>
Amortized cost	\$ <u>8,202,416</u>	\$ <u>4,806</u>	\$ <u>83</u>	\$ <u>799</u>	\$ <u>-</u>	\$ <u>8,208,104</u>

	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 365 Days	Over 365 Days	Total
<u>December 31, 2021</u>						
Expected credit loss rate	0%	2%	5%	50%	100%	
Gross carrying amount	\$ 8,409,628	\$ 4,234	\$ 706	\$ 6,954	\$ 6,285	\$ 8,427,807
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>(85)</u>	<u>(35)</u>	<u>(3,477)</u>	<u>(6,285)</u>	<u>(9,882)</u>
Amortized cost	<u>\$ 8,409,628</u>	<u>\$ 4,149</u>	<u>\$ 671</u>	<u>\$ 3,477</u>	<u>\$ -</u>	<u>\$ 8,417,925</u>

The movements of the loss allowance of trade receivables and overdue receivables were as follows:

	<u>For the Year Ended December 31, 2022</u>	
	<u>Trade receivables</u>	<u>Overdue receivables</u>
Balance at January 1, 2022	\$ 120	\$ 9,762
Impairment loss recognized (reversed)	<u>(110)</u>	<u>2,772</u>
Balance at December 31, 2022	<u>\$ 10</u>	<u>\$ 12,534</u>
	<u>For the Year Ended December 31, 2021</u>	
	<u>Trade receivables</u>	<u>Overdue receivables</u>
Balance at January 1, 2021	\$ 1,702	\$ 8,960
Impairment loss recognized (reversed)	<u>(1,582)</u>	<u>802</u>
Balance at December 31, 2021	<u>\$ 120</u>	<u>\$ 9,762</u>

9. INVENTORIES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Raw materials	\$ 8,809,530	\$ 7,454,717
Work in progress	4,662,059	4,198,785
Inventory in transit	<u>47,442</u>	<u>302,270</u>
	<u>\$ 13,519,031</u>	<u>\$ 11,955,772</u>

The cost of inventories recognized as cost of goods sold was as follows:

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Recognition of inventory write-downs	\$ 154,981	\$ 194,982
Loss on disposal of inventories	44,253	48,524
Indemnity income	(22,857)	(13,817)
Income from sales of scraps	<u>(36,688)</u>	<u>(18,492)</u>

10. SUBSIDIARIES

Subsidiaries included in consolidated financial statements:

Investor	Investee	% of Ownership December 31	
		2022	2021
The Company	AIDC USA LLC (AIDC USA)	100	100
	Hsiang Yuan Co., Ltd. (HYCO)	100	-

In order to further activate assets, the Company incorporated HYCO approved by the board of directors on December 16, 2022, entering the service sector, with an investment amount of \$15,000 thousand and the Company's percentage of ownership interest in HYCO is 100%.

For the main businesses of AIDC USA, refer to Table 5.

The subsidiaries included in consolidated financial statements are immaterial subsidiaries, and the financial statements have been audited for the same years.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31			
	2022		2021	
	Amount	% of Ownership	Amount	% of Ownership
<u>Investment in associate</u>				
International Turbine Engine Company LLC (ITEC)	\$ 1,438,308	22.05	\$ 1,123,975	22.05
Jung Sheng Precision IND Co., Ltd. (JSPCO)	<u>2,309</u>	27.78	<u>10,910</u>	31.25
	<u>\$ 1,440,617</u>		<u>\$ 1,134,885</u>	

On March 4, 2022, the board of directors of JSPCO approved the cash injection to issue 20,000 thousand shares, and the subscription date was April 26, 2022. The Company did not participate in this subscription. Therefore, the Company's percentage of ownership interest in JSPCO decreased from 31.25% to 27.78%.

Refer to "Table 5: Information on Investees" for the nature of activities, principal place of business and country of incorporation of the associates.

The investments accounted for using the equity method and the share of profit or loss of the associate were based on the above companies' financial statements which have been audited for the same years.

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Property in Construction	Total
<u>Cost</u>								
Balance at January 1, 2022	\$ -	\$ 121,860	\$ 6,647,405	\$15,614,213	\$ 765,888	\$ 919,027	\$ -	\$24,068,393
Additions	5,758	-	26,322	395,102	3,581	22,553	623	453,939
Disposals	-	(2,424)	(263)	(206,574)	(10,033)	(4,881)	-	(224,175)
Reclassification	-	-	-	101,791	-	-	-	101,791
Effects of foreign currency exchange differences	175	-	700	20	-	20	-	915
Balance at December 31, 2022	<u>\$ 5,933</u>	<u>\$ 119,436</u>	<u>\$ 6,674,164</u>	<u>\$15,904,552</u>	<u>\$ 759,436</u>	<u>\$ 936,719</u>	<u>\$ 623</u>	<u>\$24,400,863</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2022	\$ -	\$ 118,225	\$ 3,375,502	\$ 9,941,245	\$ 699,718	\$ 520,703	\$ -	\$14,655,393
Depreciation expense	-	738	169,783	884,935	20,398	59,556	-	1,135,410
Disposals	-	(2,424)	(263)	(206,470)	(10,033)	(4,881)	-	(224,071)
Effects of foreign currency exchange differences	-	-	9	12	-	20	-	41
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 116,539</u>	<u>\$ 3,545,031</u>	<u>\$10,619,722</u>	<u>\$ 710,083</u>	<u>\$ 575,398</u>	<u>\$ -</u>	<u>\$15,566,773</u>
Carrying amount at January 1, 2022	<u>\$ -</u>	<u>\$ 3,635</u>	<u>\$ 3,271,903</u>	<u>\$ 5,672,968</u>	<u>\$ 66,170</u>	<u>\$ 398,324</u>	<u>\$ -</u>	<u>\$ 9,413,000</u>
Carrying amount at December 31, 2022	<u>\$ 5,933</u>	<u>\$ 2,897</u>	<u>\$ 3,129,133</u>	<u>\$ 5,284,830</u>	<u>\$ 49,353</u>	<u>\$ 361,321</u>	<u>\$ 623</u>	<u>\$ 8,834,090</u>
<u>Cost</u>								
Balance at January 1, 2021	\$ -	\$ 120,739	\$ 6,622,514	\$14,471,927	\$ 766,349	\$ 910,541	\$ -	\$22,892,070
Additions	-	1,121	24,891	797,850	1,028	10,683	-	835,573
Disposals	-	-	-	(58,008)	(1,470)	(2,192)	-	(61,670)
Reclassification	-	-	-	402,448	-	-	-	402,448
Effects of foreign currency exchange differences	-	-	-	(4)	(19)	(5)	-	(28)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 121,860</u>	<u>\$ 6,647,405</u>	<u>\$15,614,213</u>	<u>\$ 765,888</u>	<u>\$ 919,027</u>	<u>\$ -</u>	<u>\$24,068,393</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2021	\$ -	\$ 117,429	\$ 3,200,371	\$ 9,135,724	\$ 679,111	\$ 461,567	\$ -	\$13,594,202
Depreciation expense	-	796	175,131	863,466	22,093	61,333	-	1,122,819
Disposals	-	-	-	(57,944)	(1,470)	(2,192)	-	(61,606)
Effects of foreign currency exchange differences	-	-	-	(1)	(16)	(5)	-	(22)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 118,225</u>	<u>\$ 3,375,502</u>	<u>\$ 9,941,245</u>	<u>\$ 699,718</u>	<u>\$ 520,703</u>	<u>\$ -</u>	<u>\$14,655,393</u>
Carrying amount at January 1, 2021	<u>\$ -</u>	<u>\$ 3,310</u>	<u>\$ 3,422,143</u>	<u>\$ 5,336,203</u>	<u>\$ 87,238</u>	<u>\$ 448,974</u>	<u>\$ -</u>	<u>\$ 9,297,868</u>
Carrying amount at December 31, 2021	<u>\$ -</u>	<u>\$ 3,635</u>	<u>\$ 3,271,903</u>	<u>\$ 5,672,968</u>	<u>\$ 66,170</u>	<u>\$ 398,324</u>	<u>\$ -</u>	<u>\$ 9,413,000</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets:

Land improvements	2-50 years
Buildings	
Main buildings	20-45 years
Others	3-60 years
Machinery and equipment	2-40 years
Transportation equipment	2-15 years
Other equipment	2-35 years

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 30.

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2022	2021
<u>Carrying amount</u>		
Land	\$ 1,584,943	\$ 1,687,345
Buildings	4,777	3,388
Machinery and equipment	2,522	5,426
Transportation equipment	1,764	1,816
Other equipment	<u>2,854</u>	<u>5,956</u>
	<u>\$ 1,596,860</u>	<u>\$ 1,703,931</u>
	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	<u>\$ 8,221</u>	<u>\$ 12,254</u>
Depreciation charge for right-of-use assets		
Land	\$ 102,402	\$ 102,402
Buildings	5,491	6,113
Machinery and equipment	3,547	3,575
Transportation equipment	819	557
Other equipment	<u>3,320</u>	<u>3,375</u>
	<u>\$ 115,579</u>	<u>\$ 116,022</u>

b. Lease liabilities

	December 31	
	2022	2021
<u>Carrying amount</u>		
Current	<u>\$ 105,125</u>	<u>\$ 102,769</u>
Non-current	<u>\$ 1,540,915</u>	<u>\$ 1,640,924</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2022	2021
Land	1.6%	1.6%
Buildings	1.5%-2.5%	1.6%-5%
Machinery and equipment	1.5%-1.6%	1.6%
Transportation equipment	1.99%-4.19%	1.99%-3.39%
Other equipment	1.6%	1.6%

c. Material lease-in activities and terms

The Group leases land and buildings for the use of plants and office spaces with lease terms of 2 to 42 years.

The Company leased a land located in Xitun District, Taichung City. After the re-measurement, some parts of the land were actually outside the scope of the Company, so the leased area was reduced and the lease agreement was revised. The lease period of the land is from January 1, 2021 to December 31, 2027. In addition, the Company leased a land located in Shalu factory, Taichung City. The rental amount was adjusted for any changes based on the announcement of the land price and re-measurement of the leased area. The lease period of the land is from January 1, 2021 to December 31, 2056.

The Company negotiated with the National Property Administration, Ministry of Finance (NPA) on rent concessions for land leases. The NPA agreed to provide an unconditional 20% rent reduction from January 1, 2021 to December 31, 2022, and a deferral of rentals for January 1, 2021 to June 30, 2021, with the amount payable on September 30, 2021. The Company recognized rent concessions both of NT\$24,025 thousand in profit or loss for the years ended December 31, 2022 and 2021.

d. Other lease information

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases	\$ 28,001	\$ 13,788
Expenses relating to low-value asset leases	\$ 854	\$ 732
Total cash outflow for leases	\$ (124,904)	\$ (110,538)

The Group's leases of certain buildings, machinery and equipment, transportation equipment and other equipment qualify as short-term leases, and certain transportation equipment qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

14. INTANGIBLE ASSETS

	December 31	
	2022	2021
<u>Other intangible assets</u>		
Computer software	\$ 39,639	\$ 42,003
Deferred technical cooperation expenses	5,284	48,779
Patent	1,415	1,151
Trademark	88	112
	<u>46,426</u>	<u>92,045</u>
<u>Intangible assets in development</u>		
Non-recurring costs of projects	<u>825,347</u>	<u>814,530</u>
	<u>\$ 871,773</u>	<u>\$ 906,575</u>

	Other Intangible Assets	Intangible Assets in Development
<u>Cost</u>		
Balance at January 1, 2022	\$ 1,151,985	\$ 7,037,834
Additions from internal developments	-	143,133
Additions	28,924	-
Disposals	(1,511)	(35,721)
Effects of foreign currency exchange differences	<u>12</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 1,179,410</u>	<u>\$ 7,145,246</u>
<u>Accumulated amortization and impairment</u>		
Balance at January 1, 2022	\$ 1,059,940	\$ 6,223,304
Amortization expense	37,295	130,564
Disposals	(1,511)	(35,721)
Impairment losses recognized	37,250	1,752
Effects of foreign currency exchange differences	<u>10</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 1,132,984</u>	<u>\$ 6,319,899</u>
Carrying amount at December 31, 2022	<u>\$ 46,426</u>	<u>\$ 825,347</u>
<u>Cost</u>		
Balance at January 1, 2021	\$ 1,102,527	\$ 6,968,839
Additions from internal developments	-	111,085
Additions	55,400	-
Disposals	(5,939)	(42,090)
Effects of foreign currency exchange differences	<u>(3)</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 1,151,985</u>	<u>\$ 7,037,834</u>
<u>Accumulated amortization and impairment</u>		
Balance at January 1, 2021	\$ 1,013,605	\$ 5,901,370
Amortization expense	52,275	159,002
Disposals	(5,939)	(42,090)
Impairment losses recognized	-	205,022
Effects of foreign currency exchange differences	<u>(1)</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 1,059,940</u>	<u>\$ 6,223,304</u>
Carrying amount at December 31, 2021	<u>\$ 92,045</u>	<u>\$ 814,530</u>

Non-recurring costs of projects include the costs related to product design, tooling design and fabrication, production planning, specimen and prototype trial fabrication. Deferred technical cooperation expenses include the participation fees or royalties for participation in international cooperation and development of new business. The amounts were allocated by the proportion of actual sales volume divided by expected sales volume.

Due to the amount invested in new development of industrial technology services was beyond expectation, and the impact of COVID-19 and change in the global consumer market demand for aircraft/vehicle maintenance, the Company estimated that expected future cash flows from non-recurring costs of projects have decreased. The Company carried out a review of the recoverable amount of non-recurring costs of projects and determined that the carrying amount exceeded the recoverable amount. The review led to the recognition of an impairment loss of \$39,002 thousand and \$205,022 thousand for the years ended December 31, 2022 and 2021, respectively. The Company adopts value in use as the recoverable amount of this intangible assets in development. This impairment loss is included in other gains and losses in the consolidated statements of comprehensive income.

The above items of intangible assets are amortized on a straight-line basis over their estimated useful lives of the assets as follows:

Trademark	10-25 years
Patent	10-20 years
Computer software	2-3 years

15. OTHER FINANCIAL ASSETS

Other financial assets are time deposits with original maturities over three months from the date of acquisition; for pledged assets information, refer to Note 30. The market rates of the time deposits on December 31, 2022 and 2021 were 0.18%-1.50% and 0.18%-1.065%, respectively.

16. OTHER ASSETS

	December 31	
	2022	2021
<u>Current</u>		
Prepayments	\$ 1,784,870	\$ 2,282,807
Others	<u>167,187</u>	<u>127,088</u>
	<u>\$ 1,952,057</u>	<u>\$ 2,409,895</u>
<u>Non-current</u>		
Overdue receivables (Note 8)	\$ 13,333	\$ 13,239
Less: Allowance for impairment loss	<u>(12,534)</u>	<u>(9,762)</u>
	799	3,477
Refundable deposits	46,193	53,643
Others	<u>30,855</u>	<u>33,108</u>
	<u>\$ 77,847</u>	<u>\$ 90,228</u>

17. BORROWINGS

a. Short-term borrowings

	December 31	
	2022	2021
Unsecured borrowings	<u>\$ 1,500,000</u>	<u>\$ 1,200,000</u>
Rates of interest per annum (%)	1.45-1.585	0.514-0.670

b. Short-term bills payable

	December 31	
	2022	2021
Commercial papers	\$ 6,400,000	\$ 8,640,000
Less: Unamortized discount on bills payable	<u>(12,110)</u>	<u>(3,072)</u>
	<u>\$ 6,387,890</u>	<u>\$ 8,636,928</u>
Rates of interest per annum (%)	1.32-1.59	0.36-0.43

c. Long-term borrowings

	December 31	
	2022	2021
Unsecured borrowings	<u>\$ 1,800,000</u>	<u>\$ 1,180,000</u>
Rates of interest per annum (%)	1.58	0.68-0.75

18. BONDS PAYABLE

	December 31	
	2022	2021
Unsecured domestic bonds	\$ 6,450,000	\$ 6,450,000
Less: Unamortized discount on bonds payable	<u>(4,786)</u>	<u>(6,221)</u>
	<u>\$ 6,445,214</u>	<u>\$ 6,443,779</u>

In September 2019, the Company issued a 5-year NTD-denominated unsecured bonds of \$3,000,000 thousand at 0.71% in Taiwan. An interest per annum will be paid at the simple coupon rate, and the repayment is due 5 years from the date of issuance.

In May 2021, the Company issued a 7-year NTD-denominated unsecured bonds of \$3,450,000 thousand at 0.52% in Taiwan. An interest per annum will be paid at the simple coupon rate, and the due date for repayment is 7 years from the date of issuance.

19. OTHER PAYABLES

	December 31	
	2022	2021
Payables for salaries and bonuses	\$ 1,315,652	\$ 903,342
Payables for outsourcing	1,016,067	596,393
Payables for annual leave	233,900	207,269
Payables for purchases of equipment	190,217	44,620
Payables for compensation of employees and remuneration of directors	103,461	31,978
Payables for service fees	88,272	107,473
Others	<u>858,250</u>	<u>751,222</u>
	<u>\$ 3,805,819</u>	<u>\$ 2,642,297</u>

20. PROVISIONS - NON-CURRENT

	December 31	
	2022	2021
Warranties	\$ 523,782	\$ 364,974
Others	<u>6,638</u>	<u>49,684</u>
	<u>\$ 530,420</u>	<u>\$ 414,658</u>

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Group's obligations for warranties under local sale of goods legislation. The estimate had been made on the basis of historical warranty trends and may vary as a result of other events affecting product quality.

Others refer to the obligation of the Group to improve its Taichung Complex groundwater pollution remediation site as ordered by the Environmental Protection Administration. The Group has the obligation to improve this site and recognized the discounted value of the best estimate of the remediation expenses as provisions.

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

AIDC USA has not established a retirement plan in accordance with local ordinances.

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Act is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes to a pension fund administered by the pension fund monitoring committee; the amounts of contributions were equal to 17.00% and 16.96% of total monthly salaries and wages for the years ended December 31, 2022 and 2021, respectively. Pension contributions are deposited in the Bank of Taiwan in the committee's name

and are managed by the Bureau of Labor Funds, Ministry of Labor. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The Company has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2022	2021
Present value of defined benefit obligation	\$ 3,071,417	\$ 2,773,546
Fair value of plan assets	<u>(3,231,174)</u>	<u>(2,812,278)</u>
Net defined benefit assets	<u>\$ (159,757)</u>	<u>\$ (38,732)</u>

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2021	\$ 2,496,373	\$ (2,502,906)	\$ (6,533)
Service cost			
Current service cost	385,017	-	385,017
Net interest expense (income)	<u>6,119</u>	<u>(6,616)</u>	<u>(497)</u>
Recognized in profit or loss	<u>391,136</u>	<u>(6,616)</u>	<u>384,520</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(37,846)	(37,846)
Actuarial (gain) loss			
Changes in demographic assumptions	51,378	-	51,378
Changes in financial assumptions	(39,485)	-	(39,485)
Experience adjustments	<u>(6,246)</u>	<u>-</u>	<u>(6,246)</u>
Recognized in other comprehensive loss (income)	<u>5,647</u>	<u>(37,846)</u>	<u>(32,199)</u>
Contributions from the employer	-	(384,520)	(384,520)
Benefits paid	<u>(119,610)</u>	<u>119,610</u>	<u>-</u>
Balance at December 31, 2021	<u>2,773,546</u>	<u>(2,812,278)</u>	<u>(38,732)</u>
Service cost			
Current service cost	371,655	-	371,655
Net interest expense (income)	<u>13,500</u>	<u>(14,620)</u>	<u>(1,120)</u>
Recognized in profit or loss	<u>385,155</u>	<u>(14,620)</u>	<u>370,535</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (220,973)	\$ (220,973)
Actuarial (gain) loss			
Changes in financial assumptions	(111,460)	-	(111,460)
Experience adjustments	<u>211,408</u>	<u>-</u>	<u>211,408</u>
Recognized in other comprehensive loss (income)	<u>99,948</u>	<u>(220,973)</u>	<u>(121,025)</u>
Contributions from the employer	-	(370,535)	(370,535)
Benefits paid	<u>(187,232)</u>	<u>187,232</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 3,071,417</u>	<u>\$ (3,231,174)</u>	<u>\$ (159,757)</u> (Concluded)

Through the defined benefit plans under the Labor Standards Act, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau of Pension Fund or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2022	2021
Discount rate	1.20%	0.50%
Expected rate of salary increase	1.50%	1.50%

If possible reasonable changes in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31	
	2022	2021
Discount rate		
0.25% increase	\$ (38,287)	\$ (39,578)
0.25% decrease	\$ 39,075	\$ 40,463
Expected rate of salary increase		
0.25% increase	\$ 38,861	\$ 39,960
0.25% decrease	\$ (38,268)	\$ (39,288)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2022	2021
The expected contributions to the plan for the next year	\$ 361,593	\$ 370,535
The average duration of the defined benefit obligation	5.1 years	5.7 years

22. EQUITY

a. Ordinary shares

	December 31	
	2022	2021
Number of shares authorized (in thousands)	1,500,000	1,500,000
Shares authorized	\$ 15,000,000	\$ 15,000,000
Number of shares issued and fully paid (in thousands)	941,867	941,867
Issued capital and collected proceeds	\$ 9,418,671	\$ 9,418,671

b. Retained earnings and dividend policy

The Company's Articles of Incorporation provide that the annual net income after paying income tax should be used first to make up for prior years' losses, set aside 10% as a legal reserve and appropriate or reverse special reserve. The residual earnings will be allocated by the resolution in the shareholders' meeting. For information about the accrual basis of the compensation of employees and remuneration of directors and supervisors and the actual appropriations, please refer to Note 24 (d).

Profits of the Company may be distributed by way of cash dividend or share dividend. Distribution of profits shall be made preferably by way of cash dividend. However, the ratio of share dividend shall not exceed 50% of total distribution.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's capital surplus. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's capital surplus, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1090150022 issued by the FSC and the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs”, the Company should appropriate to or reverse from special reserve.

The appropriations of earnings for 2021 and 2020 were approved in the shareholders’ meetings on May 27, 2022 and August 13, 2021, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2021	2020	2021	2020
Legal reserve	\$ 58,377	\$ 45,053		
Special reserve	153,820	118,836		
Reversal of special reserve	(118,836)	(29,809)		
Cash dividends	329,653	188,373	\$ 0.35	\$ 0.2

The appropriation of earnings for 2022, which were proposed by the Company’s board of directors on March 27, 2023, were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 172,415	
Special reserve	45,083	
Reversal of special reserve	(153,820)	
Cash dividends	1,017,216	\$ 1.08

The appropriation of earnings for 2022 are subject to the resolution of the shareholders in their meeting to be held in May 2023.

23. REVENUE

a. Sales revenue

	For the Year Ended December 31	
	2022	2021
Aircraft/Vehicle Maintenance	\$ 18,403,501	\$ 14,859,432
Aero/Industrial Engine	9,884,701	8,311,780
Industrial Technology Services	<u>1,954,105</u>	<u>563,354</u>
	<u>\$ 30,242,307</u>	<u>\$ 23,734,566</u>

b. Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Contract assets			
Aircraft/Vehicle Maintenance	\$ 458,322	\$ 530,666	\$ 915,060
Others	<u>1,062,657</u>	<u>-</u>	<u>39,030</u>
	<u>\$ 1,520,979</u>	<u>\$ 530,666</u>	<u>\$ 954,090</u>

	December 31, 2022	December 31, 2021	January 1, 2021
Contract liabilities			
Aircraft/Vehicle Maintenance	\$ 1,965,971	\$ 1,492,907	\$ 1,456,733
Others	<u>189,928</u>	<u>23,628</u>	<u>24,003</u>
	<u>\$ 2,155,899</u>	<u>\$ 1,516,535</u>	<u>\$ 1,480,736</u>

The Group measures the loss allowance for contract assets at an amount equal to lifetime ECLs. The contract assets will be transferred to accounts receivable when the corresponding invoice is billed to the client, and the contract assets have substantially the same risk characteristics as the trade receivables. Therefore, the Group concluded that the expected loss rates for trade receivables can be applied to the contract assets.

	December 31	
	2022	2021
Expected credit loss rate	0%	0%
Gross carrying amount	\$ 1,520,979	\$ 530,666
Allowance for impairment loss (Lifetime ECLs)	<u>-</u>	<u>-</u>
	<u>\$ 1,520,979</u>	<u>\$ 530,666</u>

24. NET PROFIT

a. Other income

	For the Year Ended December 31	
	2022	2021
Subsidy income	\$ 72,386	\$ 524,793
Remedy income	12,230	6,925
Other income from condoned liabilities	3,376	13,612
Others	<u>72,745</u>	<u>56,424</u>
	<u>\$ 160,737</u>	<u>\$ 601,754</u>

b. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Net foreign exchange gains (losses)	\$ 522,701	\$ (145,231)
Gain (loss) on disposal of property, plant and equipment	(102)	616
Impairment loss	(39,002)	(205,022)
Others	<u>(191,464)</u>	<u>(184,825)</u>
	<u>\$ 292,133</u>	<u>\$ (534,462)</u>

c. Employee benefits, depreciation and amortization

	Operating Cost	Operating Expense	Non-operating Expense	Transfer to Developing Intangible Assets	Capital cost	Total
<u>For the Year Ended December</u> <u>31, 2022</u>						
Employee benefits expense						
Salaries expense	\$ 5,082,220	\$ 624,317	\$ 16,189	\$ 40,185	\$ 147	\$ 5,763,058
Retirement benefits						
Defined contribution plans	101,825	14,148	232	1,087	4	117,296
Defined benefit plans	321,662	44,693	732	3,434	14	370,535
Labor and health insurance	340,347	39,704	71,435	2,870	9	454,365
Other employee benefits	51,031	6,240	10,576	24	-	67,871
Depreciation expense	1,153,672	64,537	17,483	15,258	39	1,250,989
Amortization expense	169,383	9,018	29	1,829	1	180,260
<u>For the Year Ended December</u> <u>31, 2021</u>						
Employee benefits expense						
Salaries expense	4,229,042	592,905	14,519	28,714	-	4,865,180
Retirement benefits						
Defined contribution plans	84,178	12,791	161	667	-	97,797
Defined benefit plans	330,971	50,291	634	2,624	-	384,520
Labor and health insurance	313,716	39,145	68,427	2,150	-	423,438
Other employee benefits	36,875	4,404	7,911	20	-	49,210
Depreciation expense	1,138,331	68,456	18,371	13,683	-	1,238,841
Amortization expense	206,415	12,507	34	2,257	-	221,213

d. Compensation of employees and remuneration of directors

According to the Company's Articles, the Company accrues distribution of compensation of employees and remuneration of directors at the rates no less than 0.58% and no higher than 4.65%, respectively, of net profit before income tax. The compensation of employees and remuneration of directors for 2022 and 2021 which were resolved by the board of directors on March 27, 2023 and March 28, 2022, are as follows:

	For the Year Ended December 31			
	2022		2021	
	The Proportion of Estimate	Amount of Money	The Proportion of Estimate	Amount of Money
Compensation of employees	4.65%	\$ 91,987	4.65%	\$ 28,432
Remuneration of directors	0.58%	11,474	0.58%	3,546

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020.

Information on the compensation of employees and the remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

- e. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2022	2021
Foreign exchange gains	\$ 1,202,071	\$ 116,701
Foreign exchange losses	<u>(679,370)</u>	<u>(261,932)</u>
Net gains (losses)	<u>\$ 522,701</u>	<u>\$ (145,231)</u>

- f. Finance costs

Information about capitalized interest is as follows:

	For the Year Ended December 31	
	2022	2021
Capitalized interest amount	\$ -	\$ 424
Capitalization rate (%)	-	0.94

25. INCOME TAXES

- a. Tax expense recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	\$ 338,702	\$ 63,172
Adjustments for prior years	<u>805</u>	<u>-</u>
	339,507	63,172
Deferred tax		
In respect of the current year	<u>68,127</u>	<u>53,511</u>
Income tax expense recognized in profit or loss	<u>\$ 407,634</u>	<u>\$ 116,683</u>

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2022	2021
Income tax expense calculated at the statutory rate	\$ 452,382	\$ 185,555
Temporary differences	30,996	38,996
Nondeductible expenses in determining taxable income	2,793	3,467
Adjustments for prior years' tax	805	-
Tax-exempt income	(10,672)	(88,802)
Unrecognized loss carryforwards	(27,751)	-
Investment credits	<u>(40,919)</u>	<u>(22,533)</u>
Income tax expense recognized in profit or loss	<u>\$ 407,634</u>	<u>\$ 116,683</u>

The applicable tax rates used by a Subsidiary in the United States were both 25.35% for the years ended December 31, 2022 and 2021.

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. When calculating the tax on unappropriated earnings, the Group only deducts the amount of the unappropriated earnings that has been reinvested in capital expenditure.

According to the “Regulations Governing Application of Tax Credits for Corporate or Limited Partnership in Smart Machines and 5th Generation Mobile Networks”, the Company deducted the income tax payable within the 5% limit of the investment in smart machinery and did not exceed 30% of the income tax payable in the current year..

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2022	2021
Deferred tax		
Exchange differences on translation of the financial statements of foreign operations	\$ 28,061	\$ -
Remeasurement of defined benefit plans	<u>24,206</u>	<u>6,440</u>
	<u>\$ 52,267</u>	<u>\$ 6,440</u>

c. Deferred tax assets and liabilities

	For the Year Ended December 31, 2022			
			Recognized in Other Comprehensive Income	
	Opening Balance	Recognized in Profit or Loss		Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Intangible assets	\$ 118,474	\$ 3,349	\$ -	\$ 121,823
Provisions	82,932	17,119	-	100,051
Payables for annual leave	41,453	5,327	-	46,780
Property, plant and equipment	5,252	-	-	5,252
Unrealized loss on foreign currency exchange	4,776	(1,889)	-	2,887
Loss carryforwards	53,827	(53,827)	-	-
Others	<u>912</u>	<u>(858)</u>	<u>-</u>	<u>54</u>
	<u>\$ 307,626</u>	<u>\$ (30,779)</u>	<u>\$ -</u>	<u>\$ 276,847</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Investments accounted for using the equity method	\$ 197,141	\$ 37,348	\$ -	\$ 234,489
Defined benefit plans	7,746	-	24,206	31,952
Exchange differences on foreign operations	<u>-</u>	<u>-</u>	<u>28,061</u>	<u>28,061</u>
	<u>\$ 204,887</u>	<u>\$ 37,348</u>	<u>\$ 52,267</u>	<u>\$ 294,502</u>

For the Year Ended December 31, 2021				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Intangible assets	\$ 77,470	\$ 41,004	\$ -	\$ 118,474
Provisions	88,435	(5,503)	-	82,932
Loss carryforwards	81,702	(27,875)	-	53,827
Payables for annual leave	20,780	20,673	-	41,453
Property, plant and equipment	5,252	-	-	5,252
Unrealized loss on foreign currency exchange	45,341	(40,565)	-	4,776
Others	<u>855</u>	<u>57</u>	<u>-</u>	<u>912</u>
	<u>\$ 319,835</u>	<u>\$ (12,209)</u>	<u>\$ -</u>	<u>\$ 307,626</u>

Deferred tax liabilities

Temporary differences				
Investments accounted for using the equity method	\$ 155,839	\$ 41,302	\$ -	\$ 197,141
Defined benefit plans	<u>1,306</u>	<u>-</u>	<u>6,440</u>	<u>7,746</u>
	<u>\$ 157,145</u>	<u>\$ 41,302</u>	<u>\$ 6,440</u>	<u>\$ 204,887</u>

- d. Deductible temporary differences for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2022	2021
Deductible temporary differences		
Inventories	<u>\$ 2,530,586</u>	<u>\$ 2,375,605</u>

- e. Unused loss carryforwards

	December 31	
	2022	2021
Loss carryforwards		
Expiry in 2030	<u>\$ -</u>	<u>\$ 269,135</u>

- f. Income tax assessments

Income tax returns of the Company through 2020 have been examined and cleared by the tax authorities.

26. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2022	2021
Basic earnings per share	\$ <u>1.73</u>	\$ <u>0.59</u>
Diluted earnings per share	\$ <u>1.72</u>	\$ <u>0.59</u>

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

	For the Year Ended December 31	
	2022	2021
<u>Profit for the year attributable to owners of the Company</u>		
Earnings used in the computation of basic earnings per share (Earnings used in the computation of diluted earnings per share)	\$ <u>1,627,333</u>	\$ <u>558,013</u>
<u>Weighted average number of ordinary shares outstanding (in thousands of shares)</u>		
Weighted average number of ordinary shares used in computation of basic earnings per share	941,867	941,867
Effect of potentially dilutive ordinary shares	<u>2,805</u>	<u>1,121</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>944,672</u>	<u>942,988</u>

The Company may settle compensation or bonuses to employees in cash or shares; therefore, the Company assumes that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares, if dilutive, will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. Such dilutive effect of the potential shares should be included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

27. CAPITAL MANAGEMENT

The Group must maintain adequate capital necessary for profitable operations and business expansion, equipment upgrade, participation in international new aircraft developing and engine development cooperation project. Therefore, the Group manages its capital to ensure that the Group will have enough financial resources to respond accordingly to its working capital requirements at least for the next 12 months, capital expenditures, participation in international new aircraft developing and repayments of liabilities.

The capital structure of the Group consists of net debt (long-term and short-term borrowings offset by cash and cash equivalents and other financial assets) and equity (comprising ordinary shares, capital surplus, retained earnings and other equity).

28. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The management believes that carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values or their fair values cannot be reliably measured.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>December 31, 2022</u>				
Financial assets at FVTOCI				
Investments in equity instruments				
Emerging market shares	\$ 13,805	\$ -	\$ -	\$ 13,805
Unlisted shares	<u>-</u>	<u>-</u>	<u>29,568</u>	<u>29,568</u>
	<u>\$ 13,805</u>	<u>\$ -</u>	<u>\$ 29,568</u>	<u>\$ 43,373</u>
<u>December 31, 2021</u>				
Financial assets at FVTOCI				
Investments in equity instruments				
Emerging market shares	\$ 12,705	\$ -	\$ -	\$ 12,705
Unlisted shares	<u>-</u>	<u>-</u>	<u>34,178</u>	<u>34,178</u>
	<u>\$ 12,705</u>	<u>\$ -</u>	<u>\$ 34,178</u>	<u>\$ 46,883</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2022 and 2021, respectively.

2) Reconciliation of Level 3 fair value measurements of financial instruments

Financial Assets	Financial Assets at FVTOCI Equity Instruments
<u>For the Year Ended December 31, 2022</u>	
Balance at January 1, 2022	\$ 34,178
Recognized in other comprehensive loss	<u>(4,610)</u>
Balance at December 31, 2022	<u>\$ 29,568</u>
<u>For the Year Ended December 31, 2021</u>	
Balance at January 1, 2021	\$ 33,197
Recognized in other comprehensive income	<u>981</u>
Balance at December 31, 2021	<u>\$ 34,178</u>

3) Valuation techniques and inputs applied for Level 3 fair value measurement

The marketable securities of unlisted shares held by the Group is estimated using the evaluation method when there is no market price reference. The fair value of unlisted shares was evaluated using the asset-based approach.

c. Categories of financial instruments

	December 31	
	2022	2021
<u>Financial assets</u>		
Financial assets at amortized cost	\$ 12,002,252	\$ 11,983,020
Financial assets at FVTOCI - non-current	43,373	46,883
<u>Financial liabilities</u>		
Amortized cost	20,218,219	21,264,745

Financial assets at amortized cost comprise cash and cash equivalents, notes receivable, trade receivables, other receivables, overdue receivables, other financial assets and refundable deposits.

Financial liabilities at amortized cost comprise short-term borrowings, short-term bills payable, trade payables, other payables (excluded payables for salaries and bonuses, payables for annual leave and payables for compensation of employees and remuneration of directors), bonds payable, other financial liabilities (accounted at other current liabilities), long-term borrowings (included not later than one year) and guarantee deposits.

d. Financial risk management objectives and policies

The Group's major financial risk management objectives are to manage the market risk (including currency risk, and interest rate risk), credit risk and liquidity risk of operating activities. The Group minimizes the unfavorable effects of these risks by identification and assessment of the risks and by applying aversion methods to the uncertainties.

The Group's financial targets including its investment plan for property, plant and equipment are laid out in its "Five-Year Business Plan", which were approved by the board of directors. The financial plan includes risk management policies and the division of responsibilities.

The Group's major financial instruments include cash and cash equivalents, trade receivable, short-term borrowings, short-term bills payable, trade payables, bonds payable and long-term borrowings. The financial department coordinates access to domestic financial markets.

1) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group minimizes its currency exposure by natural hedging. Foreign currency operation performance is reported to the key management personnel every quarter and the expected foreign currency and operation direction are set for the next quarter.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 32.

Sensitivity analysis

The Group was mainly exposed to the US dollar. The Group's sensitivity to an increase or decrease of 0.5% in New Taiwan dollars against the relevant foreign currencies means profit before income tax would increase/decrease by \$23,374 thousand and \$25,167 thousand for the years ended December 31, 2022 and 2021, respectively. The sensitivity rate of 0.5% represents the management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, with the foreign currency rates at the end of the reporting period adjusted for a 0.5% change.

b) Interest rate risk

The Group's interest risk is evaluated in terms of short-term borrowings, short-term bills payable, bonds payable, long-term borrowings and lease liabilities. Borrowing and repayment require budget planning in advance to control the interest risk. Interest rates of short-term loans from different financial organizations are compared and lowest one will be selected.

Sensitivity analysis

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2022 and 2021 would have decreased/increased by \$8,250 thousand and \$5,250 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings. A 25 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The possible financial loss would equal to the carrying amount of the recognized financial assets as stated in the balance sheets. However, the Group is executing forward exchange only with the correspondent financial institutions, and they are creditworthy with no credit risks.

The Group's dealing counterparties are national defence organizations and international aerospace corporations, and they are creditworthy with extreme low risk of bankruptcy. The Group's key management checks the accounts receivable every month, and instructs the project team to collect the past due amounts.

The Group's concentration of credit risk by geographical location was mainly in the United States, which accounted for 38% and 29% of the total trade receivables as of December 31, 2022 and 2021, respectively.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2022 and 2021, the Group had available unutilized bank loan facilities as set out in (b) below.

a) Liquidity and interest risk rate tables for non-derivative financial liabilities

The following tables details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

Non-derivative financial liabilities	Less than 1 Year	1 to 5 Year	More than 5 Year
<u>December 31, 2022</u>			
Non-interest bearing liabilities	\$ 3,860,453	\$ 224,662	\$ -
Lease liabilities	130,876	482,870	1,457,252
Variable interest rate liabilities	1,500,000	1,800,000	-
Fixed interest rate liabilities	<u>6,400,000</u>	<u>3,000,000</u>	<u>3,450,000</u>
	<u>\$ 11,891,329</u>	<u>\$ 5,507,532</u>	<u>\$ 4,907,252</u>
<u>December 31, 2021</u>			
Non-interest bearing liabilities	\$ 3,609,937	\$ 194,101	\$ -
Lease liabilities	118,265	488,351	1,577,592
Variable interest rate liabilities	1,200,000	900,000	-
Fixed interest rate liabilities	<u>8,640,000</u>	<u>3,280,000</u>	<u>3,450,000</u>
	<u>\$ 13,568,202</u>	<u>\$ 4,862,452</u>	<u>\$ 5,027,592</u>

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Financing facilities (reviewed annually)

	December 31	
	2022	2021
Unsecured bank overdraft facility:		
Amount unused	<u>\$ 20,513,212</u>	<u>\$ 21,966,210</u>

29. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its Subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and related parties are disclosed below.

a. Related party name and category

<u>Related Party Name</u>	<u>Relationship with the Group</u>
ITEC	Associate
JSPCO	Associate
Ministry of Economic Affairs	Corporate director

b. Sales of goods

<u>Related Party Name</u>	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
ITEC	\$ 1,265,363	\$ 1,107,105
JSPCO	<u>95</u>	<u>109</u>
	<u>\$ 1,265,458</u>	<u>\$ 1,107,214</u>

The Group's sales prices are based on the contracts. The collection terms are as follows:

<u>Item</u>	<u>Collection Terms</u>
Engine	90 days after the invoice date
Backup parts	Offset accounts receivable with accounts payable

There is no unrelated party with similar product item to compare the engine (parts) sales price. The backup parts are no significant difference between the sale price and conditions for related parties and non-related parties, and collection term is 1-2 months.

c. Purchase of goods

<u>Related Party Name</u>	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
ITEC	<u>\$ 507,759</u>	<u>\$ 650,418</u>

The Group's buying prices from related party are based on contract. The payment term in principle is 1-2 months or paying after offset of accounts receivable. There are no unrelated parties with similar product items that can serve as basis of comparison of prices and terms.

d. Manufacturing expenses

<u>Related Party Name</u>	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
JSPCO	\$ 65,550	\$ 53,629
ITEC	<u>20,067</u>	<u>380,283</u>
	<u>\$ 85,617</u>	<u>\$ 433,912</u>

e. Receivables from related parties

Related Party Name	December 31	
	2022	2021
ITEC	\$ 337,587	\$ 138,214
JSPCO	<u>16</u>	<u>30</u>
	<u>\$ 337,603</u>	<u>\$ 138,244</u>

The outstanding trade receivables from related parties are unsecured and without recognition of expected credit loss.

f. Other current assets

Related Party Name	December 31	
	2022	2021
ITEC	<u>\$ -</u>	<u>\$ 114,576</u>

g. Payables to related parties

Related Party Name	December 31	
	2022	2021
ITEC	<u>\$ 24,530</u>	<u>\$ 110,937</u>

The outstanding trade payables to related parties are unsecured.

h. Other payables

Related Party Name	December 31	
	2022	2021
JSPCO	<u>\$ 6,401</u>	<u>\$ 13,566</u>

i. Remuneration of key management personnel

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 32,299	\$ 30,965
Post-employment benefits	<u>1,735</u>	<u>1,805</u>
	<u>\$ 34,034</u>	<u>\$ 32,770</u>

The remuneration of directors and key executives, as determined by the remuneration committee, is based on the performance of individuals and market trends.

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following other financial assets and property, plant and equipment were provided as collateral for obligation:

	December 31	
	2022	2021
Property, plant and equipment	\$ 1,829,621	\$ 1,902,950
Other financial assets - current	4,338	3,893
Other financial assets - non-current	<u>41,844</u>	<u>41,753</u>
	<u>\$ 1,875,803</u>	<u>\$ 1,948,596</u>

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as follows:

- As of December 31, 2022 and 2021, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately \$1,237,627 thousand and \$578,638 thousand, respectively.
- As of December 31, 2022 and 2021, unpaid contract for purchases of raw materials and machinery and equipment amounted to approximately \$27,894,241 thousand and \$24,657,392 thousand, respectively.
- The Group intended to lease land from Taiwan Sugar Co., Ltd. (Taiwan Sugar Company) for the purpose of sustainable operations, which was approved by the board of directors on February 7, 2020. The Group had signed a land agreement with Taiwan Sugar Company on August 4, 2020 and paid \$33,787 thousand as security deposit. According to the contract, the Group needs to apply for a change of land use before leasing the land. At that time, the Group signed a lease agreement with Taiwan Sugar Company and paid \$39,121 thousand as compensation.

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between foreign currencies and respective functional currencies were as follows:

	December 31					
	2022			2021		
	Foreign Currency	Exchange Rate	New Taiwan Dollars	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
USD	\$ 163,051	30.71	\$ 5,007,296	\$ 208,476	27.68	\$ 5,770,616
Non-monetary items						
USD	48,921	30.71	1,502,377	42,461	27.68	1,175,333

(Continued)

	December 31					
	2022			2021		
	Foreign Currency	Exchange Rate	New Taiwan Dollars	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial liabilities</u>						
Monetary items						
USD	\$	10,828	30.71	\$	26,637	27.68
			\$ 332,528			\$ 737,312 (Concluded)

The significant unrealized foreign exchange losses were as follows:

Foreign Currency	For the Year Ended December 31			
	2022		2021	
	Exchange Rate	Net Foreign Exchange Loss	Exchange Rate	Net Foreign Exchange Loss
USD	30.71	<u>\$ (14,686)</u>	27.68	<u>\$ (23,474)</u>

33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (None)
- 2) Endorsements/guarantees provided. (None)
- 3) Marketable securities held (excluding investment in Subsidiaries, associates and joint controlled entities). (Table 1)
- 4) Marketable securities acquired and disposed at costs or prices at least \$300 million or 20% of the paid-in capital. (None)
- 5) Acquisition of individual real estate at costs of at least \$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least \$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least \$100 million or 20% of the paid-in capital. (Table 2)
- 8) Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital. (Table 3)
- 9) Trading in derivative instruments. (None)
- 10) Intercompany relationships and significant intercompany transactions. (Table 4)
- 11) Information on investees. (Table 5)

b. Information on investments in mainland China. (None)

- c. Information of major shareholders : List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 6)

34. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the type of services delivered or provided. The Group has only one operating segment which is the main business, i.e., design, manufacture, assembly, testing and maintenance of aircraft.

- a. Geographical information

	For the Year Ended December 31	
	2022	2021
Asia	\$ 17,430,794	\$ 14,122,787
Americas	10,631,545	7,997,399
Europe	<u>2,179,968</u>	<u>1,614,380</u>
	<u>\$ 30,242,307</u>	<u>\$ 23,734,566</u>

- b. Information on major customers

Single customers that contributed 10% or more to the Group's revenue were as follows:

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
Customer A	\$ 7,947,608	26	\$ 7,005,480	30
Customer B	4,210,876	14	3,331,466	14
Customer C	3,952,217	13	3,189,867	13

TABLE 1

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars or Shares, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022			
				Number of Shares	Carrying Amount	Percentage of Ownership	Fair Value
The Company	<u>Share capital</u>						
	UHT Ltd.	-	Financial assets at FVTOCI - non-current	1,100	\$ 13,805	1.7%	\$ 13,805
	AAI	The Company is a corporate director.	Financial assets at FVTOCI - non-current	4,968	27,400	13.09%	27,400
	Metro Ltd.	The Company is a corporate director.	Financial assets at FVTOCI - non-current	300	2,168	6%	2,168

Note: Information about Subsidiaries and associates is provided in Table 5.

TABLE 2

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Purchaser or Seller	Related Party	Nature of Relationship with the Purchaser or Seller	Transaction Details				Abnormal Transaction		Notes and Accounts Receivable (Payable)		Note
			Purchases (Sales)	Amount	% to Total	Collection Terms	Unit Price	Collection Terms	Ending Balance	% to Total	
The Company	ITEC	Associate	Sales Purchases	\$ (1,238,393) 507,759	(4) 3	Note Note	Note Note	Note Note	\$ 335,152 (24,530)	4 (1)	

Note: Information is provided in Note 29.

TABLE 3

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	ITEC	Associate	\$ 335,152	5.28	\$ -	-	\$ 335,152	\$ -

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

No.	Investee Company	Counterparty (Note)	Relationship	Transactions Details			
				Financial Statement Accounts	Amount	Payment Terms	% to Total Sales or Assets
0	The Company	AIDC USA	Parent company to subsidiary	Purchases	\$ 1,839	T/T 30 - 60 days	-
		AIDC USA	Parent company to subsidiary	Manufacturing expenses	19,949	T/T 30 - 60 days	-
		AIDC USA	Parent company to subsidiary	Operation expenses	23,170	T/T 30 - 60 days	-
		AIDC USA	Parent company to subsidiary	Accounts payable	442	T/T 30 - 60 days	-
		AIDC USA	Parent company to subsidiary	Other payables	10,266	T/T 30 - 60 days	-

Note: Transactions have been eliminated.

TABLE 5**AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES**

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars or Shares, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2022	December 31, 2021	Shares	%	Carrying Amount			
The Company	AIDC USA	Delaware, USA	Provide program management and relevant services for purchasing and selling raw materials, parts and components of aircraft, engines and subsystems.	\$ 288,661	\$ 288,661	-	100	\$ 1,502,377	\$ 189,383	\$ 186,742 (Note)	Subsidiary
	HYCO	Taichung City, ROC	Venue and premises leasing, retail of cultural and creative commodities and medical aids, catering and education and training activities	15,000	-	1,500,000	100	15,000	-	-	Subsidiary
	JSPCO	Kaohsiung City, ROC	Design, maintain and manufacture of moulds, jigs, fixtures and mechanical parts	50,000	50,000	5,000,000	27.78	2,309	(46,501)	(13,582)	Associate
AIDC USA	ITEC	Delaware, USA	Development, production and remodel of aircraft	728	728	-	22.05	1,438,308	1,087,530	237,159	Associate

Note: The share of profits of subsidiaries included the effect of unrealized gross profit on intercompany transactions.

Table 6**AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND
SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2022**

Name of Major Shareholder	Shares	
	Number of Shares (In Thousands)	Percentage of Ownership (%)
Ministry of Economic Affairs	331,302	35.17

Note: The information of major shareholders is based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (included treasury shares) by the Company as of December 31, 2022. The share capital in consolidated financial report may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Appendix 2 Standalone Financial Statements and Independent Auditor's Report for the Most Recent Year



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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	%
CURRENT ASSETS				
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>
NON-CURRENT ASSETS				
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>
TOTAL	<u>\$ 42,705,509</u>	<u>100</u>	<u>\$ 40,730,241</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
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>
NON-CURRENT LIABILITIES				
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>
EQUITY				
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>
TOTAL	<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)

	For the Year Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
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>
CASH FLOWS FROM INVESTING ACTIVITIES		
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)

	For the Year Ended December 31	
	2022	2021
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>
CASH FLOWS FROM FINANCING ACTIVITIES		
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>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,638	(1,298,755)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>3,251,313</u>	<u>4,550,068</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 3,265,951</u>	<u>\$ 3,251,313</u>

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

(Concluded)

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Aerospace Industrial Development Corporation (the “Company”) was a state-owned enterprise formed by the Ministry of Economic Affairs on July 1, 1996 from Aero Industry Development Center, Chung-Shan Institute of Science and six other state-owned enterprises. The Company's main business categories are as follows: design, manufacture, assembly, testing and maintenance of aircraft, engines, avionics and related components; consulting services and technology transfers of aerospace technology, logistical support and engineering technology management of large-scale projects; engineering and development of software and sales of aerospace products.

In July 2001, the initial public offering of the Company was approved by the Securities and Futures Commission (renamed as Securities and Futures Bureau of the Financial Supervisory Commission (FSC) of the Republic of China (ROC)). On September 13, 2013, in accordance with Rule No. 1020055531, the Company started its privatization process. On August 25, 2014, the Company was listed on the Taiwan Stock Exchange.

The financial statements are presented in the Company's functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on March 27, 2023.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Company's accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2023

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occurred on or after January 1, 2022.

As of the date the financial statements were authorized for issue, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company's financial position and financial performance.

- c. The IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" (referred to as the "2020 amendments") and "Non-current Liabilities with Covenants" (referred to as the "2022 amendments")

The 2020 amendments clarify that for a liability to be classified as non-current, the Company shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Company will exercise that right.

The 2020 amendments also stipulate that, if the right to defer settlement is subject to compliance with specified conditions, the Company must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date. The 2022 amendments further clarify that only covenants with which an entity is required to comply on or before the reporting date should affect the classification of a liability as current or non-current. Although the covenants to be complied with within twelve months after the reporting period do not affect the classification of a liability, the Company shall disclose information that enables users of financial statements to understand the risk of the Company that may have difficulty complying with the covenants and repay its liabilities within twelve months after the reporting period.

The 2020 amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Company's own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Company's own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32: Financial Instruments: Presentation, the aforementioned terms would not affect the classification of the liability.

Except for the above impact, as of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact of the application of other standards and interpretations on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, and net defined benefit assets which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

When preparing these financial statements, the Company used the equity method to account for its investments in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and associates, the share of other comprehensive income of subsidiaries and associates and the related equity items, as appropriate, in these parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets to be realized within twelve months after the reporting period; and

- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within twelve months after the reporting period, and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (ie., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting year, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the year in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

e. Inventories

Inventories consist of raw materials and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Raw materials and supplies are recorded at moving weighted-average cost and work-in-process items are recorded at standard cost but adjusted to weighted-average cost on the balance sheet date.

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries. Subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the entire financial statements of the invested company. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes the reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying

amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

g. Investment in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Company uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associates. The Company also recognizes the changes in the Company's share of equity of associates.

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method.

The entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from investment and the carrying amount of the investment is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When the Company transacts with its associate, profits and losses resulting from the transactions with the associates are recognized by the Company in its financial statements only to the extent of interests in the associates that are not related to the Company.

h. Property, plant and equipment

Property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the development phase of an internal project is recognized if, and only if, all of the following have been demonstrated:

- a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- b) The intention to complete the intangible asset and use or sell it;
- c) The ability to use or sell the intangible asset;
- d) How the intangible asset will generate probable future economic benefits;
- e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- f) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Impairment of property, plant and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

Financial assets are classified into the following categories: financial assets at amortized cost and equity instruments at FVTOCI.

i. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes receivable, trade receivables, overdue receivables, other receivables, other financial asset and refundable deposits are measured at amortized cost, which equals to gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and

- ii) Financial asset that has subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

ii. Investments in equity instruments at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets and contract assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables and overdue receivables), as well as contract assets.

The Company always recognizes lifetime Expected Credit Loss (ECL) for trade receivables and overdue receivables, and contract assets. For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 90 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

l. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Provision for the expected cost of warranty obligations is recognized at the date of sale of the relevant products, at the Company's best estimate of the expenditure required to settle the obligation.

m. Revenue recognition

The Company identifies the contract with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

For the considerations that have been received from customers, the obligation to transfer goods or services to customers is recognized as a contract liability.

As the Company provides manufacturing or maintenance services, customers simultaneously receive the benefits with no alternative use to the Company. The Company measures the progress on the basis of costs incurred relative to the total expected costs as there is a direct relationship between the costs incurred and the progress of satisfying the performance obligations. Revenue and contract assets are recognized during the progress and are reclassified to trade receivables at a point in time when transferring goods or services to the customers.

1) Revenue from sale of goods

Revenue from sale of goods comes from sales of aerospace goods. When the goods are shipped or delivered to the customer's specific location, the customer has full discretion over the manner of utilization and bears the risk of the goods. Trade receivables and revenue are recognized concurrently.

2) Revenue from rendering of services

Revenue from rendering of services comes from aircraft maintenance, logistics management and industrial technology services.

n. Leasing

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

The Company negotiates with the lessor for rent concessions as a direct consequence of the Covid-19, that results in the revised consideration for the lease less than the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Company elects to apply the practical expedient to all of these rent concessions lease contracts and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Company recognizes the reduction in lease payment in profit or loss, in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

o. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

p. Government grants

Government grants related to income are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes related to income as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and recognized in profit or loss on a systematic and rational basis over the useful lives of the related assets.

q. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liability are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

r. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforward to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimations, and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis by management. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key Sources of Estimation Uncertainty - Write-down of Inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and the historical experience from selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
Cash on hand and petty cash	\$ 601	\$ -
Checking accounts and demand deposits	2,927,540	2,751,569
Cash equivalents		
Time deposits with original maturities of three months or less	337,810	-
Repurchase agreements collateralized by bills	<u>-</u>	<u>499,744</u>
	<u>\$ 3,265,951</u>	<u>\$ 3,251,313</u>
<u>Rates of bank balance (%)</u>		
Demand deposits	0.00-3.55	0.00-0.20
Time deposits	3.50-4.68	-
Repurchase agreements collateralized by bills	-	0.25

7. FINANCIAL ASSETS AT FVTOCI - NON-CURRENT

	December 31	
	2022	2021
<u>Emerging market shares</u>		
UHT Unitech Co Ltd. (UHT Ltd.)	<u>\$ 13,805</u>	<u>\$ 12,705</u>
<u>Unlisted ordinary shares</u>		
Aerovision Avionics Inc. (AAI)	27,400	32,016
Metro Consulting Service Ltd. (Metro Ltd.)	<u>2,168</u>	<u>2,162</u>
	<u>29,568</u>	<u>34,178</u>
	<u>\$ 43,373</u>	<u>\$ 46,883</u>

These investments in equity instruments are held for medium- to long-term strategic purposes and expect to earn profits from long-term investment. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in

these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

8. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2022	2021
Notes receivable	\$ <u>3,651</u>	\$ <u>16,203</u>
<u>Trade receivables from unrelated parties</u>		
At amortized cost		
Gross carrying amount	\$ 8,203,664	\$ 8,398,365
Less: Allowance for impairment loss	<u>(10)</u>	<u>(120)</u>
	\$ <u>8,203,654</u>	\$ <u>8,398,245</u>

The Company's customers are mostly national defense organizations and international aerospace corporations. The international aerospace corporations' average credit period of sales of goods is 60 to 120 days in average. The Company adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is obtained from independent rating agencies where available or, if not available, the Company uses other publicly available financial information or its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Company uses the lifetime expected loss provision for all trade receivables to providing for expected credit losses. The expected credit losses on trade receivables are estimated using a provision matrix approach considering the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of notes receivable, trade receivables and overdue receivables (accounted as other non-current assets):

	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 365 Days	Over 365 Days	Total
<u>December 31, 2022</u>						
Expected credit loss rate	0%	0.17%	2.10%	4.64%	100%	
Gross carrying amount	\$ 8,202,416	\$ 4,814	\$ 85	\$ 836	\$ 12,497	\$ 8,220,648
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>(8)</u>	<u>(2)</u>	<u>(37)</u>	<u>(12,497)</u>	<u>(12,544)</u>
Amortized cost	<u>\$ 8,202,416</u>	<u>\$ 4,806</u>	<u>\$ 83</u>	<u>\$ 799</u>	<u>\$ -</u>	<u>\$ 8,208,104</u>

	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 365 Days	Over 365 Days	Total
<u>December 31, 2021</u>						
Expected credit loss rate	0%	2%	5%	50%	100%	
Gross carrying amount	\$ 8,409,628	\$ 4,234	\$ 706	\$ 6,954	\$ 6,285	\$ 8,427,807
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>(85)</u>	<u>(35)</u>	<u>(3,477)</u>	<u>(6,285)</u>	<u>(9,882)</u>
Amortized cost	<u>\$ 8,409,628</u>	<u>\$ 4,149</u>	<u>\$ 671</u>	<u>\$ 3,477</u>	<u>\$ -</u>	<u>\$ 8,417,925</u>

The movements of the loss allowance of trade receivables and overdue receivables were as follows:

	<u>For the Year Ended December 31, 2022</u>	
	<u>Trade Receivables</u>	<u>Overdue Receivables</u>
Balance at January 1, 2022	\$ 120	\$ 9,762
Impairment loss recognized (reversed)	<u>(110)</u>	<u>2,772</u>
Balance at December 31, 2022	<u>\$ 10</u>	<u>\$ 12,534</u>
	<u>For the Year Ended December 31, 2021</u>	
	<u>Trade Receivables</u>	<u>Overdue Receivables</u>
Balance at January 1, 2021	\$ 1,702	\$ 8,960
Impairment loss recognized (reversed)	<u>(1,582)</u>	<u>802</u>
Balance at December 31, 2021	<u>\$ 120</u>	<u>\$ 9,762</u>

9. INVENTORIES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Raw materials	\$ 8,809,530	\$ 7,454,717
Work in progress	4,662,059	4,198,785
Inventory in transit	<u>47,442</u>	<u>302,270</u>
	<u>\$ 13,519,031</u>	<u>\$ 11,955,772</u>

The cost of inventories recognized as cost of goods sold was as follows:

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Recognition of inventory write-downs	\$ 154,981	\$ 194,982
Loss on disposal of inventories	44,253	48,524
Indemnity income	(22,857)	(13,817)
Income from sales of scraps	<u>(36,688)</u>	<u>(18,492)</u>

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31			
	2022		2021	
	Amount	% of Ownership	Amount	% of Ownership
<u>Investments in subsidiaries</u>				
AIDC USA LLC (AIDC USA)	\$ 1,502,377	100	\$ 1,175,333	100
Hsiang Yuan Co., Ltd. (HYCO)	15,000	100	-	-
<u>Investments in associate</u>				
Jung Sheng Precision IND Co., Ltd. (JSPCO)	<u>2,309</u>	27.78	<u>10,910</u>	31.25
	<u>\$ 1,519,686</u>		<u>\$ 1,186,243</u>	

On March 4, 2022, the board of directors of JSPCO approved the cash injection to issue 20,000 thousand shares and the subscription date was April 26, 2022. The Company did not participate in this subscription. Therefore, the Company's percentage of ownership interest in JSPCO decreased from 31.25% to 27.78%.

In order to further activate assets, the Company incorporated HYCO approved by the board of directors on December 16, 2022, entering the service sector, with an investment amount of \$15,000 thousand, and the Company's percentage of ownership interest in HYCO is 100%.

Refer to "Table 4: Information on Investees" for the nature of activities, principal place of business and country of incorporation of the associates.

The investments accounted for using the equity method and the share of profit or loss of the subsidiaries and associates were based on the financial statements which have been audited for the same years.

11. PROPERTY, PLANT AND EQUIPMENT

	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Property in Construction	Total
<u>Cost</u>							
Balance at January 1, 2022	\$ 121,860	\$ 6,647,405	\$ 15,614,043	\$ 765,889	\$ 918,845	\$ -	\$ 24,068,042
Additions	-	3,290	395,043	3,581	22,553	623	425,090
Disposals	(2,424)	(263)	(206,574)	(10,033)	(4,881)	-	(224,175)
Reclassification	-	-	101,791	-	-	-	101,791
Balance at December 31, 2022	<u>\$ 119,436</u>	<u>\$ 6,650,432</u>	<u>\$ 15,904,303</u>	<u>\$ 759,437</u>	<u>\$ 936,517</u>	<u>\$ 623</u>	<u>\$ 24,370,748</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2022	\$ 118,225	\$ 3,375,502	\$ 9,941,159	\$ 699,718	\$ 520,520	\$ -	\$ 14,655,124
Depreciation expense	738	169,488	884,885	20,398	59,557	-	1,135,066
Disposals	(2,424)	(263)	(206,470)	(10,033)	(4,881)	-	(224,071)
Balance at December 31, 2022	<u>\$ 116,539</u>	<u>\$ 3,544,727</u>	<u>\$ 10,619,574</u>	<u>\$ 710,083</u>	<u>\$ 575,196</u>	<u>\$ -</u>	<u>\$ 15,566,119</u>
Carrying amount at January 1, 2022	<u>\$ 3,635</u>	<u>\$ 3,271,903</u>	<u>\$ 5,672,884</u>	<u>\$ 66,171</u>	<u>\$ 398,325</u>	<u>\$ -</u>	<u>\$ 9,412,918</u>
Carrying amount at December 31, 2022	<u>\$ 2,897</u>	<u>\$ 3,105,705</u>	<u>\$ 5,284,729</u>	<u>\$ 49,354</u>	<u>\$ 361,321</u>	<u>\$ 623</u>	<u>\$ 8,804,629</u>

	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Property in Construction	Total
<u>Cost</u>							
Balance at January 1, 2021	\$ 120,739	\$ 6,622,514	\$ 14,471,791	\$ 765,175	\$ 910,354	\$ -	\$ 22,890,573
Additions	1,121	24,891	797,812	1,028	10,683	-	835,535
Disposals	-	-	(58,008)	(314)	(2,192)	-	(60,514)
Reclassification	-	-	402,448	-	-	-	402,448
Balance at December 31, 2021	<u>\$ 121,860</u>	<u>\$ 6,647,405</u>	<u>\$ 15,614,043</u>	<u>\$ 765,889</u>	<u>\$ 918,845</u>	<u>\$ -</u>	<u>\$ 24,068,042</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2021	\$ 117,429	\$ 3,200,371	\$ 9,135,668	\$ 678,055	\$ 461,397	\$ -	\$ 13,592,920
Depreciation expense	796	175,131	863,435	21,977	61,315	-	1,122,654
Disposals	-	-	(57,944)	(314)	(2,192)	-	(60,450)
Balance at December 31, 2021	<u>\$ 118,225</u>	<u>\$ 3,375,502</u>	<u>\$ 9,941,159</u>	<u>\$ 699,718</u>	<u>\$ 520,520</u>	<u>\$ -</u>	<u>\$ 14,655,124</u>
Carrying amount at January 1, 2021	<u>\$ 3,310</u>	<u>\$ 3,422,143</u>	<u>\$ 5,336,123</u>	<u>\$ 87,120</u>	<u>\$ 448,957</u>	<u>\$ -</u>	<u>\$ 9,297,653</u>
Carrying amount at December 31, 2021	<u>\$ 3,635</u>	<u>\$ 3,271,903</u>	<u>\$ 5,672,884</u>	<u>\$ 66,171</u>	<u>\$ 398,325</u>	<u>\$ -</u>	<u>\$ 9,412,918</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets:

Land improvements	2-50 years
Buildings	
Main buildings	20-45 years
Others	3-60 years
Machinery and equipment	2-40 years
Transportation equipment	2-15 years
Other equipment	2-35 years

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 29.

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Carrying amount</u>		
Land	\$ 1,584,943	\$ 1,687,345
Buildings	4,609	2,208
Machinery and equipment	2,522	5,426
Other equipment	<u>2,854</u>	<u>5,956</u>
	<u>\$ 1,594,928</u>	<u>\$ 1,700,935</u>

	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	\$ 7,645	\$ 9,390
Depreciation charge for right-of-use assets		
Land	\$ 102,402	\$ 102,402
Buildings	4,383	4,781
Machinery and equipment	3,547	3,575
Other equipment	3,320	3,375
	<u>\$ 113,652</u>	<u>\$ 114,133</u>

Except for the addition and recognition of depreciation expenses listed above, there were no material subleases or impairments of the Company's right-of-use assets for the years ended December 31, 2022 and 2021.

b. Lease liabilities

	December 31	
	2022	2021
<u>Carrying amount</u>		
Current	\$ 104,137	\$ 101,012
Non-current	\$ 1,540,108	\$ 1,639,743

Range of discount rates for lease liabilities was as follows:

	December 31	
	2022	2021
Land	1.6%	1.6%
Buildings	1.5%-1.6%	1.6%
Machinery and equipment	1.5%-1.6%	1.6%
Other equipment	1.6%	1.6%

c. Material lease-in activities and terms

The Company leases land and buildings for the use of plants and office with lease terms of 2 to 42 years.

The Company leased a land located in Xitun District, Taichung City. After the re-measurement, some parts of the land were actually outside the scope of the Company, so the leased area was reduced and the lease agreement was revised. The lease period of the land is from January 1, 2021 to December 31, 2027. In addition, the Company leased a land located in Shalu factory, Taichung City. The rental amount was adjusted for any changes based on the announcement of the land price and re-measurement of the leased area. The lease period of the land is from January 1, 2021 to December 31, 2056.

The Company negotiated with the National Property Administration, Ministry of Finance (NPA) on rent concessions for land leases. The NPA agreed to provide an unconditional 20% rent reduction from January 1, 2021 to December 31, 2022, and a deferral of rentals for January 1, 2021 to June 30, 2021, with the amount payable on September 30, 2021. The Company recognized rent concessions both of NT\$24,025 thousand in profit or loss for the years ended December 31, 2022 and 2021.

d. Other lease information

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases	\$ 27,912	\$ 13,777
Expenses relating to low-value asset leases	\$ 854	\$ 732
Total cash outflow for leases	\$ (122,767)	\$ (108,302)

The Company's leases of certain buildings, machinery and equipment, transportation equipment and other equipment qualify as short-term leases, and certain transportation equipment qualify as low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

13. INTANGIBLE ASSETS

	December 31	
	2022	2021
<u>Other intangible assets</u>		
Computer software	\$ 39,639	\$ 41,972
Deferred technical cooperation expenses	5,284	48,779
Patent	1,415	1,151
Trademark	88	112
	<u>46,426</u>	<u>92,014</u>
<u>Intangible assets in development</u>		
Non-recurring costs of projects	<u>825,347</u>	<u>814,530</u>
	<u>\$ 871,773</u>	<u>\$ 906,544</u>
	Other Intangible Assets	Intangible Assets in Development
<u>Cost</u>		
Balance at January 1, 2022	\$ 1,151,874	\$ 7,037,834
Additions from internal developments	-	143,133
Additions	28,924	-
Disposals	<u>(1,511)</u>	<u>(35,721)</u>
Balance at December 31, 2022	<u>\$ 1,179,287</u>	<u>\$ 7,145,246</u>
<u>Accumulated amortization and impairment</u>		
Balance at January 1, 2022	\$ 1,059,860	\$ 6,223,304
Amortization expense	37,262	130,564
Disposals	(1,511)	(35,721)
Impairment losses recognized	<u>37,250</u>	<u>1,752</u>
Balance at December 31, 2022	<u>\$ 1,132,861</u>	<u>\$ 6,319,899</u>
Carrying amount at December 31, 2022	<u>\$ 46,426</u>	<u>\$ 825,347</u>

	Other Intangible Assets	Intangible Assets in Development
<u>Cost</u>		
Balance at January 1, 2021	\$ 1,102,413	\$ 6,968,839
Additions from internal developments	-	111,085
Additions	55,400	-
Disposals	<u>(5,939)</u>	<u>(42,090)</u>
Balance at December 31, 2021	<u>\$ 1,151,874</u>	<u>\$ 7,037,834</u>
<u>Accumulated amortization and impairment</u>		
Balance at January 1, 2021	\$ 1,013,561	\$ 5,901,370
Amortization expense	52,238	159,002
Disposals	(5,939)	(42,090)
Impairment losses recognized	<u>-</u>	<u>205,022</u>
Balance at December 31, 2021	<u>\$ 1,059,860</u>	<u>\$ 6,223,304</u>
Carrying amount at December 31, 2021	<u>\$ 92,014</u>	<u>\$ 814,530</u>

Non-recurring costs of projects include the costs related to product design, tooling design and fabrication, production planning, specimen and prototype trial fabrication. Deferred technical cooperation expenses include the participation fees or royalties for participation in international cooperation and development of new business. The amounts were allocated by the proportion of actual sales volume divided by expected sales volume.

Due to the amount invested in new development of industrial technology services was beyond expectation, and the impact of COVID-19 and change in the global consumer market demand for aircraft/vehicle maintenance, the Company estimated that expected future cash flows from non-recurring costs of projects have decreased. The Company carried out a review of the recoverable amount of non-recurring costs of projects and determined that the carrying amount exceeded the recoverable amount. The review led to the recognition of an impairment loss of \$39,002 thousand and \$205,022 thousand for the years ended December 31, 2022 and 2021, respectively. The Company adopts value in use as the recoverable amount of this intangible assets in development. This impairment loss is included in other gains and losses in the statements of comprehensive income.

The above items of intangible assets are amortized on a straight-line basis over their estimated useful lives of the assets as follows:

Trademark	10-25 years
Patent	10-20 years
Computer software	2-3 years

14. OTHER FINANCIAL ASSETS

Other financial assets are time deposits with original maturities over three months from the date of acquisition; for pledged assets information, refer to Note 29. The market rates of the time deposits on December 31, 2022 and 2021 were 0.18%-1.50% and 0.18%-1.065%, respectively.

15. OTHER ASSETS

	December 31	
	2022	2021
<u>Current</u>		
Prepayments	\$ 1,784,241	\$ 2,282,358
Others	<u>167,187</u>	<u>127,089</u>
	<u>\$ 1,951,428</u>	<u>\$ 2,409,447</u>
<u>Non-current</u>		
Overdue receivables (Note 8)	\$ 13,333	\$ 13,239
Less: Allowance for impairment loss	<u>(12,534)</u>	<u>(9,762)</u>
	799	3,477
Refundable deposits	46,106	53,503
Others	<u>30,855</u>	<u>33,108</u>
	<u>\$ 77,760</u>	<u>\$ 90,088</u>

16. BORROWINGS

a. Short-term borrowings

	December 31	
	2022	2021
Unsecured borrowings	<u>\$ 1,500,000</u>	<u>\$ 1,200,000</u>
Rates of interest per annum (%)	1.45-1.585	0.514-0.670

b. Short-term bills payable

	December 31	
	2022	2021
Commercial papers	\$ 6,400,000	\$ 8,640,000
Less: Unamortized discount on bills payable	<u>(12,110)</u>	<u>(3,072)</u>
	<u>\$ 6,387,890</u>	<u>\$ 8,636,928</u>
Rates of interest per annum (%)	1.32-1.59	0.36-0.43

c. Long-term borrowings

	December 31	
	2022	2021
Unsecured borrowings	<u>\$ 1,800,000</u>	<u>\$ 1,180,000</u>
Rates of interest per annum (%)	1.58	0.68-0.75

17. BONDS PAYABLE

	December 31	
	2022	2021
Unsecured domestic bonds	\$ 6,450,000	\$ 6,450,000
Less: Unamortized discount on bonds payable	<u>(4,786)</u>	<u>(6,221)</u>
	<u>\$ 6,445,214</u>	<u>\$ 6,443,779</u>

In September 2019, the Company issued a 5-year NTD-denominated unsecured bonds of \$3,000,000 thousand at 0.71% in Taiwan. An interest per annum will be paid at the simple coupon rate, and the repayment is due 5 years from the date of issuance.

In May 2021, the Company issued a 7-year NTD-denominated unsecured bonds of \$3,450,000 thousand at 0.52% in Taiwan. An interest per annum will be paid at the simple coupon rate, and the due date for repayment is 7 years from the date of issuance.

18. OTHER PAYABLES

	December 31	
	2022	2021
Payables for salaries and bonuses	\$ 1,311,607	\$ 896,600
Payables for outsourcing	1,026,333	599,274
Payables for annual leave	233,900	207,269
Payables for purchases of equipment	190,217	44,620
Payables for compensation of employees and remuneration of directors	103,461	31,978
Payables for service fees	88,272	107,473
Others	<u>855,695</u>	<u>748,896</u>
	<u>\$ 3,809,485</u>	<u>\$ 2,636,110</u>

19. PROVISIONS - NON-CURRENT

	December 31	
	2022	2021
Warranties	\$ 523,782	\$ 364,974
Others	<u>6,638</u>	<u>49,684</u>
	<u>\$ 530,420</u>	<u>\$ 414,658</u>

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Company's obligations for warranties under local sale of goods legislation. The estimate had been made on the basis of historical warranty trends and may vary as a result of other events affecting product quality.

Others refer to the obligation of the Company to improve its Taichung Complex groundwater pollution remediation site as ordered by the Environmental Protection Administration. The Company has the obligation to improve this site and recognized the discounted value of the best estimate of the remediation expenses as provisions.

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Act is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes to a pension fund administered by the pension fund monitoring committee; the amounts of contributions were equal to 17.00% and 16.96% of total monthly salaries and wages for the years ended December 31, 2022 and 2021, respectively. Pension contributions are deposited in the Bank of Taiwan in the committee's name and are managed by the Bureau of Labor Funds, Ministry of Labor. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2022	2021
Present value of defined benefit obligation	\$ 3,071,417	\$ 2,773,546
Fair value of plan assets	<u>(3,231,174)</u>	<u>(2,812,278)</u>
Net defined benefit assets	<u>\$ (159,757)</u>	<u>\$ (38,732)</u>

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2021	<u>\$ 2,496,373</u>	<u>\$ (2,502,906)</u>	<u>\$ (6,533)</u>
Service cost			
Current service cost	385,017	-	385,017
Net interest expense (income)	<u>6,119</u>	<u>(6,616)</u>	<u>(497)</u>
Recognized in profit or loss	<u>391,136</u>	<u>(6,616)</u>	<u>384,520</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(37,846)	(37,846)
Actuarial (gain) loss			
Changes in demographic assumptions	51,378	-	51,378

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Remeasurement Actuarial (gain) loss			
Changes in financial assumptions	\$ (39,485)	\$ -	\$ (39,485)
Experience adjustments	<u>(6,246)</u>	<u>-</u>	<u>(6,246)</u>
Recognized in other comprehensive loss (income)	<u>5,647</u>	<u>(37,846)</u>	<u>(32,199)</u>
Contributions from the employer	-	(384,520)	(384,520)
Benefits paid	<u>(119,610)</u>	<u>119,610</u>	<u>-</u>
Balance at December 31, 2021	<u>2,773,546</u>	<u>(2,812,278)</u>	<u>(38,732)</u>
Service cost			
Current service cost	371,655	-	371,655
Net interest expense (income)	<u>13,500</u>	<u>(14,620)</u>	<u>(1,120)</u>
Recognized in profit or loss	<u>385,155</u>	<u>(14,620)</u>	<u>370,535</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(220,973)	(220,973)
Actuarial (gain) loss			
Changes in financial assumptions	(111,460)	-	(111,460)
Experience adjustments	<u>211,408</u>	<u>-</u>	<u>211,408</u>
Recognized in other comprehensive loss (income)	<u>99,948</u>	<u>(220,973)</u>	<u>(121,025)</u>
Contributions from the employer	-	(370,535)	(370,535)
Benefits paid	<u>(187,232)</u>	<u>187,232</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 3,071,417</u>	<u>\$ (3,231,174)</u>	<u>\$ (159,757)</u> (Concluded)

Through the defined benefit plans under the Labor Standards Act, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau of Pension Fund or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2022	2021
Discount rate	1.20%	0.50%
Expected rate of salary increase	1.50%	1.50%

If possible reasonable changes in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31	
	2022	2021
Discount rate		
0.25% increase	\$ (38,287)	\$ (39,578)
0.25% decrease	\$ 39,075	\$ 40,463
Expected rate of salary increase		
0.25% increase	\$ 38,861	\$ 39,960
0.25% decrease	\$ (38,268)	\$ (39,288)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2022	2021
The expected contributions to the plan for the next year	\$ 361,593	\$ 370,535
The average duration of the defined benefit obligation	5.1 years	5.7 years

21. EQUITY

a. Ordinary shares

	December 31	
	2022	2021
Number of shares authorized (in thousands)	1,500,000	1,500,000
Shares authorized	\$ 15,000,000	\$ 15,000,000
Number of shares issued and fully paid (in thousands)	941,867	941,867
Issued capital and collected proceeds	\$ 9,418,671	\$ 9,418,671

b. Retained earnings and dividend policy

The Company's Articles of Incorporation provide that the annual net income after paying income tax should be used first to make up for prior years' losses, set aside 10% as a legal reserve and appropriate or reverse special reserve. The residual earnings will be allocated by the resolution in the shareholders' meeting. For information about the accrual basis of the compensation of employees and remuneration of directors and supervisors and the actual appropriations, please refer to Note 23 (d).

Profits of the Company may be distributed by way of cash dividend or share dividend. Distribution of profits shall be made preferably by way of cash dividend. However, the ratio of share dividend shall not exceed 50% of total distribution.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's capital surplus. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's capital surplus, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1090150022 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate to or reverse from special reserve.

The appropriations of earnings for 2021 and 2020 were approved in the shareholders' meetings on May 27, 2022 and August 13, 2021, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2021	2020	2021	2020
Legal reserve	\$ 58,377	\$ 45,053		
Special reserve	153,820	118,836		
Reversal of special reserve	(118,836)	(29,809)		
Cash dividends	329,653	188,373	\$ 0.35	\$ 0.2

The appropriation of earnings for 2022, which were proposed by the Company's board of directors on March 27, 2023, were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 172,415	
Special reserve	45,083	
Reversal of special reserve	(153,820)	
Cash dividends	1,017,216	\$ 1.08

The appropriation of earnings for 2022 are subject to the resolution of the shareholders in their meeting to be held in May 2023.

22. REVENUE

a. Sales revenue

	For the Year Ended December 31	
	2022	2021
Aircraft/Vehicle Maintenance	\$ 18,403,501	\$ 14,859,432
Aero/Industrial Engine	9,884,701	8,311,780
Industrial Technology Services	<u>1,927,135</u>	<u>539,981</u>
	<u>\$ 30,215,337</u>	<u>\$ 23,711,193</u>

b. Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Contract assets			
Aircraft/Vehicle Maintenance	\$ 458,322	\$ 530,666	\$ 915,060
Others	<u>1,062,657</u>	<u>-</u>	<u>39,030</u>
	<u>\$ 1,520,979</u>	<u>\$ 530,666</u>	<u>\$ 954,090</u>
Contract liabilities			
Aircraft/Vehicle Maintenance	\$ 1,965,971	\$ 1,492,907	\$ 1,456,733
Others	<u>189,928</u>	<u>23,628</u>	<u>24,003</u>
	<u>\$ 2,155,899</u>	<u>\$ 1,516,535</u>	<u>\$ 1,480,736</u>

The Company measures the loss allowance for contract assets at an amount equal to lifetime ECLs. The contract assets will be transferred to accounts receivable when the corresponding invoice is billed to the client, and the contract assets have substantially the same risk characteristics as the trade receivables. Therefore, the Company concluded that the expected loss rates for trade receivables can be applied to the contract assets.

	December 31	
	2022	2021
Expected credit loss rate	0%	0%
Gross carrying amount	\$ 1,520,979	\$ 530,666
Allowance for impairment loss (Lifetime ECLs)	<u>-</u>	<u>-</u>
	<u>\$ 1,520,979</u>	<u>\$ 530,666</u>

23. NET PROFIT

a. Other income

	For the Year Ended December 31	
	2022	2021
Subsidy income	\$ 72,386	\$ 524,793
Remedy income	12,230	6,925
Other income from condoned liabilities	3,376	13,612
Others	<u>72,165</u>	<u>56,424</u>
	<u>\$ 160,157</u>	<u>\$ 601,754</u>

b. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Net foreign exchange gains (losses)	\$ 522,701	\$ (145,231)
Loss on disposal of property, plant and equipment	(102)	(63)
Impairment loss	(39,002)	(205,022)
Others	<u>(191,451)</u>	<u>(184,824)</u>
	<u>\$ 292,146</u>	<u>\$ (535,140)</u>

c. Employee benefits, depreciation and amortization

	Operating Cost	Operating Expense	Non-operating Expense	Transfer to Developing Intangible Assets	Capital cost	Total
For the Year Ended December 31, 2022						
Employee benefits expense						
Salaries expense	\$ 5,082,220	\$ 564,156	\$ 16,189	\$ 40,185	\$ 147	\$ 5,702,897
Retirement benefits						
Defined contribution plans	101,825	14,148	232	1,087	4	117,296
Defined benefit plans	321,662	44,693	732	3,434	14	370,535
Remuneration of directors	-	14,236	-	-	-	14,236
Labor and health insurance	340,347	35,880	71,435	2,870	9	450,541
Other employee benefits	51,031	5,347	10,576	24	-	66,978
Depreciation expense	1,153,672	62,266	17,483	15,258	39	1,248,718
Amortization expense	169,383	8,985	29	1,829	1	180,227
For the Year Ended December 31, 2021						
Employee benefits expense						
Salaries expense	4,229,042	541,751	14,519	28,714	-	4,814,026
Retirement benefits						
Defined contribution plans	84,178	12,791	161	667	-	97,797
Defined benefit plans	330,971	50,291	634	2,624	-	384,520
Remuneration of directors	-	6,264	-	-	-	6,264
Labor and health insurance	313,716	36,358	68,427	2,150	-	420,651
Other employee benefits	36,875	4,236	7,911	20	-	49,042
Depreciation expense	1,138,331	66,402	18,371	13,683	-	1,236,787
Amortization expense	206,415	12,470	34	2,257	-	221,176

As of December 31, 2022 and 2021, the Company's number of employees was 5,359 and 5,198, respectively, and there were both 7 non-employee directors. The head count basis was the same as the basis of employee benefits expense.

In 2022 and 2021, the Company's average employee benefits expense was \$1,253 thousand and \$1,111 thousand, respectively, and the average employee salary expense was \$1,066 thousand and \$927 thousand, respectively. The average employee salary increased by 15% in 2022.

Under the dividends policy as set forth in the Company's Articles of Incorporation, distribution of remuneration of directors are subject to the approval of the remuneration committee and the board of directors. When the directors of the Company perform their duties, the board of directors are authorized to discuss the domestic and foreign industry standards. If the Company makes a profit during the year, the remuneration shall be distributed in accordance with Article 28 of the Company's Articles of Incorporation.

The compensation of the Company's managers and employees includes salary, bonuses and compensation of employees. The compensation policy is based on academic qualifications and experience, with reference to the salary level of the same industry, position held in the Company; in addition, employees are evaluated based on their responsibilities, achievements, contributions, and also annual company operating results.

d. Compensation of employees and remuneration of directors

According to the Company's Articles, the Company accrues distribution of compensation of employees and remuneration of directors at the rates no less than 0.58% and no higher than 4.65%, respectively, of net profit before income tax. The compensation of employees and remuneration of directors for 2022 and 2021 which were resolved by the board of directors on March 27, 2023 and March 28, 2022 are as follows:

	For the Year Ended December 31			
	2022		2021	
	The Proportion of Estimate	Amount of Money	The Proportion of Estimate	Amount of Money
Compensation of employees	4.65%	\$ 91,987	4.65%	\$ 28,432
Remuneration of directors	0.58%	11,474	0.58%	3,546

If there is a change in the amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2021 and 2020.

Information on the compensation of employees and the remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

e. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2022	2021
Foreign exchange gains	\$ 1,202,071	\$ 116,701
Foreign exchange losses	<u>(679,370)</u>	<u>(261,932)</u>
Net gains (losses)	<u>\$ 522,701</u>	<u>\$ (145,231)</u>

f. Finance costs

Information about capitalized interest is as follows:

	For the Year Ended December 31	
	2022	2021
Capitalized interest amount	\$ -	\$ 424
Capitalization rate (%)	-	0.94

24. INCOME TAXES

a. Tax expense recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	\$ 282,017	\$ -
Adjustments for prior years	<u>805</u>	<u>-</u>
	282,822	-
Deferred tax		
In respect of the current year	<u>68,076</u>	<u>53,413</u>
Income tax expense recognized in profit or loss	<u>\$ 350,898</u>	<u>\$ 53,413</u>

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2022	2021
Income tax expense calculated at the statutory rate (20%)	\$ 395,646	\$ 122,285
Temporary differences	30,996	38,996
Nondeductible expenses in determining taxable income	2,793	3,467
Tax-exempt income	(10,672)	(88,802)
Unrecognized loss carryforwards	(27,751)	-
Investment credits	(40,919)	(22,533)
Adjustments for prior years' tax	<u>805</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 350,898</u>	<u>\$ 53,413</u>

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. When calculating the tax on unappropriated earnings, the Company only deducts the amount of the unappropriated earnings that has been reinvested in capital expenditure.

According to the “Regulations Governing Application of Tax Credits for Corporate or Limited Partnership in Smart Machines and 5th Generation Mobile Networks”, the Company deducted the income tax payable within the 5% limit of the investment in smart machinery and did not exceed 30% of the income tax payable in the current year.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2022	2021
Deferred tax		
Exchange differences on translation of the financial statements of foreign operations	\$ 28,061	\$ -
Remeasurement of defined benefit plans	<u>24,206</u>	<u>6,440</u>
	<u>\$ 52,267</u>	<u>\$ 6,440</u>

c. Deferred tax assets and liabilities

For the Year Ended December 31, 2022				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Intangible assets	\$ 118,474	\$ 3,349	\$ -	\$ 121,823
Provisions	82,932	17,119	-	100,051
Payables for annual leave	41,453	5,327	-	46,780
Property, plant and equipment	5,252	-	-	5,252
Unrealized loss on foreign currency exchange	4,776	(1,889)	-	2,887
Loss carryforwards	53,827	(53,827)	-	-
Others	<u>812</u>	<u>(807)</u>	<u>-</u>	<u>5</u>
	<u>\$ 307,526</u>	<u>\$ (30,728)</u>	<u>\$ -</u>	<u>\$ 276,798</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Investments accounted for using the equity method	\$ 197,141	\$ 37,348	\$ -	\$ 234,489
Defined benefit plans	7,746	-	24,206	31,952
Exchange differences on foreign operations	<u>-</u>	<u>-</u>	<u>28,061</u>	<u>28,061</u>
	<u>\$ 204,887</u>	<u>\$ 37,348</u>	<u>\$ 52,267</u>	<u>\$ 294,502</u>
For the Year Ended December 31, 2021				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Intangible assets	\$ 77,470	\$ 41,004	\$ -	\$ 118,474
Provisions	88,435	(5,503)	-	82,932
Loss carryforwards	81,702	(27,875)	-	53,827
Payables for annual leave	20,780	20,673	-	41,453
Property, plant and equipment	5,252	-	-	5,252
Unrealized loss on foreign currency exchange	45,341	(40,565)	-	4,776
Others	<u>657</u>	<u>155</u>	<u>-</u>	<u>812</u>
	<u>\$ 319,637</u>	<u>\$ (12,111)</u>	<u>\$ -</u>	<u>\$ 307,526</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Investments accounted for using the equity method	\$ 155,839	\$ 41,302	\$ -	\$ 197,141
Defined benefit plans	<u>1,306</u>	<u>-</u>	<u>6,440</u>	<u>7,746</u>
	<u>\$ 157,145</u>	<u>\$ 41,302</u>	<u>\$ 6,440</u>	<u>\$ 204,887</u>

- d. Deductible temporary differences for which no deferred tax assets have been recognized in the balance sheets

	December 31	
	2022	2021
Deductible temporary differences		
Inventories	<u>\$ 2,530,586</u>	<u>\$ 2,375,605</u>

- e. Unused loss carryforwards

	December 31	
	2022	2021
Expiry in 2030		
	<u>\$ -</u>	<u>\$ 269,135</u>

- f. Income tax assessments

Income tax returns of the Company through 2020 have been examined and cleared by the tax authorities.

25. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2022	2021
Basic earnings per share	<u>\$ 1.73</u>	<u>\$ 0.59</u>
Diluted earnings per share	<u>\$ 1.72</u>	<u>\$ 0.59</u>

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

	For the Year Ended December 31	
	2022	2021
<u>Net Profit for the Year</u>		
Earnings used in the computation of basic earnings per share		
(Earnings used in the computation of diluted earnings per share)	<u>\$ 1,627,333</u>	<u>\$ 558,013</u>
<u>Weighted average number of ordinary shares outstanding</u>		
<u>(in thousands of shares)</u>		
Weighted average number of ordinary shares used in computation of basic earnings per share	941,867	941,867
Effect of potentially dilutive ordinary shares	<u>2,805</u>	<u>1,121</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>944,672</u>	<u>942,988</u>

The Company may settle compensation or bonuses to employees in cash or shares; therefore, the Company assumes that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares, if dilutive, will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. Such dilutive effect of the potential shares should be included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

26. CAPITAL MANAGEMENT

The Company must maintain adequate capital necessary for profitable operations and business expansion, equipment upgrade, participation in international new aircraft developing and engine development cooperation project. Therefore, the Company manages its capital to ensure that the Company will have enough financial resources to respond accordingly to its working capital requirements at least for the next 12 months, capital expenditures, participation in international new aircraft developing and repayments of liabilities.

The capital structure of the Company consists of net debt (long-term and short-term borrowings offset by cash and cash equivalents and other financial assets) and equity (comprising ordinary shares, capital surplus, retained earnings and other equity).

27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The management believes that carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values or their fair values cannot be reliably measured.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>December 31, 2022</u>				
Financial assets at FVTOCI				
Investments in equity instruments				
Emerging market shares	\$ 13,805	\$ -	\$ -	\$ 13,805
Unlisted shares	<u>-</u>	<u>-</u>	<u>29,568</u>	<u>29,568</u>
	<u>\$ 13,805</u>	<u>\$ -</u>	<u>\$ 29,568</u>	<u>\$ 43,373</u>
<u>December 31, 2021</u>				
Financial assets at FVTOCI				
Investments in equity instruments				
Emerging market shares	\$ 12,705	\$ -	\$ -	\$ 12,705
Unlisted shares	<u>-</u>	<u>-</u>	<u>34,178</u>	<u>34,178</u>
	<u>\$ 12,705</u>	<u>\$ -</u>	<u>\$ 34,178</u>	<u>\$ 46,883</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2022 and 2021, respectively.

2) Reconciliation of Level 3 fair value measurements of financial instruments

Financial Assets	Financial Assets at FVTOCI Equity Instruments
<u>For the Year Ended December 31, 2022</u>	
Balance at January 1, 2022	\$ 34,178
Recognized in other comprehensive loss	<u>(4,610)</u>
Balance at December 31, 2022	<u>\$ 29,568</u>
<u>For the Year Ended December 31, 2021</u>	
Balance at January 1, 2021	\$ 33,197
Recognized in other comprehensive income	<u>981</u>
Balance at December 31, 2021	<u>\$ 34,178</u>

3) Valuation techniques and inputs applied for Level 3 fair value measurement

The marketable securities of unlisted shares held by the Company is estimated using the evaluation method, when there is no market price for reference. The fair value of unlisted shares was evaluated using asset-based approach of the investees.

c. Categories of financial instruments

	December 31	
	2022	2021
<u>Financial assets</u>		
Financial assets at amortized cost	\$ 11,952,204	\$ 11,917,668
Financial assets at FVTOCI - non-current	43,373	46,883
<u>Financial liabilities</u>		
Amortized cost	20,223,584	21,263,744

Financial assets at amortized cost comprise cash and cash equivalents, notes receivable, trade receivables, other receivables, overdue receivables, other financial assets and refundable deposits.

Financial liabilities at amortized cost comprise short-term borrowings, short-term bills payable, trade payables, other payables (excluded payables for salaries and bonuses, payables for annual leave and payables for compensation of employees and remuneration of directors), bonds payable, other financial liabilities (accounted at other current liabilities), long-term borrowings (included not later than one year) and guarantee deposits.

d. Financial risk management objectives and policies

The Company's major financial risk management objectives are to manage the market risk (including currency risk and interest rate risk), credit risk and liquidity risk of operating activities. The Company minimizes the unfavorable effects of these risks by identification and assessment of the risks and by applying aversion methods to the uncertainties.

The Company's financial targets including its investment plan for property, plant and equipment are laid out in its "Five-Year Business Plan", which were approved by the board of directors. The financial plan includes risk management policies and the division of responsibilities.

The Company's major financial instruments include cash and cash equivalents, trade receivable, short-term borrowings, short-term bills payable, trade payables, bonds payable and long-term borrowings. The financial department coordinates access to domestic financial markets.

1) Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There had been no change to the Company's exposure to market risks or the manner in which these risks were managed and measured.

Foreign currency risk

The Company minimizes its currency exposure by natural hedging. Foreign currency operation performance is reported to the key management personnel every quarter and the expected foreign currency and operation direction are set for the next quarter.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 31.

Sensitivity analysis

The Company was mainly exposed to the US dollar. The Company's sensitivity to an increase or decrease of 0.5% in New Taiwan dollars against the relevant foreign currencies means profit before income tax would increase/decrease by \$23,374 thousand and \$25,167 thousand for the years ended December 31, 2022 and 2021, respectively. The sensitivity rate of 0.5% represents the management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, with the foreign currency rates at the end of the reporting period adjusted for a 0.5% change.

Interest rate risk

The Company's interest risk is evaluated in terms of short-term borrowings, short-term bills payable, bonds payable, long-term borrowings and lease liabilities. Borrowing and repayment require budget planning in advance to control the interest risk. Interest rates of short-term loans from different financial organizations are compared and lowest one will be selected.

Sensitivity analysis

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2022 and 2021 would have decreased/increased by \$8,250 thousand and \$5,250 thousand, respectively, which was mainly attributable to the Company's exposure to interest rates on its variable-rate bank borrowings. 25 basis points increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The possible financial loss would equal to the carrying amount of the recognized financial assets as stated in the balance sheets. However, the Company is executing forward exchange only with the correspondent financial institutions, and they are creditworthy with no credit risks.

The Company's dealing counterparties are national defence organizations and international aerospace corporations, and they are creditworthy with extreme low risk of bankruptcy. The Company's key management checks the accounts receivable every month, and instructs the project team to collect the past due amounts.

The Company's concentration of credit risk by geographical location was mainly in the United States, which accounted for 38% and 29% of the total trade receivables as of December 31, 2022 and 2021, respectively.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2022 and 2021, the Company had available unutilized bank loan facilities as set out in (b) below.

a) Liquidity and interest risk rate tables for non-derivative financial liabilities

The following tables details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

Non-derivative Financial Liabilities	Less than 1 Year	1 to 5 Year	More than 5 Year
<u>December 31, 2022</u>			
Non-interest bearing liabilities	\$ 3,865,818	\$ 224,662	\$ -
Lease liabilities	129,855	482,047	1,457,252
Variable interest rate liabilities	1,500,000	1,800,000	-
Fixed interest rate liabilities	<u>6,400,000</u>	<u>3,000,000</u>	<u>3,450,000</u>
	<u>\$ 11,895,673</u>	<u>\$ 5,506,709</u>	<u>\$ 4,907,252</u>

Non-derivative Financial Liabilities	Less than 1 Year	1 to 5 Year	More than 5 Year
<u>December 31, 2021</u>			
Non-interest bearing liabilities	\$ 3,608,936	\$ 194,101	\$ -
Lease liabilities	116,458	487,150	1,577,592
Variable interest rate liabilities	1,200,000	900,000	-
Fixed interest rate liabilities	<u>8,640,000</u>	<u>3,280,000</u>	<u>3,450,000</u>
	<u>\$ 13,565,394</u>	<u>\$ 4,861,251</u>	<u>\$ 5,027,592</u>

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Financing facilities (reviewed annually)

	<u>December 31</u>	
	2022	2021
Unsecured bank overdraft facility:		
Amount unused	<u>\$ 20,513,212</u>	<u>\$ 21,966,210</u>

28. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Company and related parties are disclosed below.

a. Related party name and category

<u>Related Party Name</u>	<u>Relationship with the Company</u>
AIDC USA	Subsidiary
HYCO	Subsidiary
ITEC	Associate
JSPCO	Associate
Ministry of Economic Affairs	Corporate director

b. Sales of goods

	<u>For the Year Ended December 31</u>	
Related Party Name	2022	2021
ITEC	\$ 1,238,393	\$ 1,083,732
JSPCO	<u>95</u>	<u>109</u>
	<u>\$ 1,238,488</u>	<u>\$ 1,083,841</u>

The Company's sales prices are based on the contracts. The collection terms are as follows:

<u>Item</u>	<u>Collection Terms</u>
Engine	90 days after the invoice date
Backup parts	Offset accounts receivable with accounts payable

There is no unrelated party with similar product item to compare the engine sales price. The backup parts are no significant difference between the sale price and conditions for related parties and non-related parties, and collection term is 1-2 months.

c. Purchase of goods

Related Party Name	For the Year Ended December 31	
	2022	2021
ITEC	\$ 507,759	\$ 650,418
AIDC USA	<u>1,839</u>	<u>3,147</u>
	<u>\$ 509,598</u>	<u>\$ 653,565</u>

The Company's buying prices from related party are based on contract. The payment term in principle is 1-2 months or paying after offset of accounts receivable. There are no unrelated parties with similar product items that can serve as basis of comparison of prices and terms.

d. Manufacturing expenses

Related Party Name	For the Year Ended December 31	
	2022	2021
JSPCO	\$ 65,550	\$ 53,629
ITEC	20,067	380,283
AIDC USA	<u>19,949</u>	<u>19,011</u>
	<u>\$ 105,566</u>	<u>\$ 452,923</u>

e. Operation expenses

Related Party Name	For the Year Ended December 31	
	2022	2021
AIDC USA	<u>\$ 23,170</u>	<u>\$ 18,537</u>

f. Receivables from related parties

Related Party Name	December 31	
	2022	2021
ITEC	\$ 335,152	\$ 134,345
JSPCO	<u>16</u>	<u>30</u>
	<u>\$ 335,168</u>	<u>\$ 134,375</u>

The outstanding trade receivables from related parties are unsecured and without recognition of expected credit loss.

g. Other current assets

Related Party Name	December 31	
	2022	2021
ITEC	<u>\$ -</u>	<u>\$ 114,576</u>

h. Payables to related parties

Related Party Name	December 31	
	2022	2021
ITEC	\$ 24,530	\$ 110,937
AIDC USA	<u>442</u>	<u>349</u>
	<u>\$ 24,972</u>	<u>\$ 111,286</u>

The outstanding trade payables to related parties are unsecured.

i. Other payables

Related Party Name	December 31	
	2022	2021
AIDC USA	\$ 10,266	\$ 2,881
JSPCO	<u>6,401</u>	<u>13,566</u>
	<u>\$ 16,667</u>	<u>\$ 16,447</u>

j. Remuneration of key management personnel

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 26,942	\$ 26,559
Post-employment benefits	<u>1,735</u>	<u>1,805</u>
	<u>\$ 28,677</u>	<u>\$ 28,364</u>

The remuneration of directors and key executives, as determined by the remuneration committee, is based on the performance of individuals and market trends.

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following other financial assets and property, plant and equipment were provided as collateral for obligation:

	December 31	
	2022	2021
Property, plant and equipment	\$ 1,829,621	\$ 1,902,950
Other financial assets - current	4,338	3,893
Other financial assets - non-current	<u>41,844</u>	<u>41,753</u>
	<u>\$ 1,875,803</u>	<u>\$ 1,948,596</u>

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company were as follows:

- a. As of December 31, 2022 and 2021, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately \$1,237,627 thousand and \$578,638 thousand, respectively.
- b. As of December 31, 2022 and 2021, unpaid contract for purchases of raw materials and machinery and equipment amounted to approximately \$27,894,241 thousand and \$24,657,392 thousand, respectively.
- c. The Company intended to lease land from Taiwan Sugar Co., Ltd. (Taiwan Sugar Company) for the purpose of sustainable operations, which was approved by the board of directors on February 7, 2020. The Company had signed a land agreement with Taiwan Sugar Company on August 4, 2020 and paid \$33,787 thousand as security deposit. According to the contract, the Company needs to apply for a change of land use before leasing the land. At that time, the Company signed a lease agreement with Taiwan Sugar Company and paid \$39,121 thousand as compensation.

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

	December 31					
	2022			2021		
	Foreign Currency	Exchange Rate	New Taiwan Dollars	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
USD	\$ 163,051	30.71	\$ 5,007,296	\$ 208,476	27.68	\$ 5,770,616
Non-monetary items						
USD	48,921	30.71	1,502,377	42,461	27.68	1,175,333
<u>Financial liabilities</u>						
Monetary items						
USD	10,828	30.71	332,528	26,637	27.68	737,312

The significant unrealized foreign exchange losses were as follows:

Foreign Currency	For the Year Ended December 31			
	2022		2021	
	Exchange Rate	Net Foreign Exchange Loss	Exchange Rate	Net Foreign Exchange Loss
USD	30.71	<u>\$ (14,686)</u>	27.68	<u>\$ (23,474)</u>

32. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (None)
- 2) Endorsements/guarantees provided. (None)
- 3) Marketable securities held (excluding investment in subsidiary, associates and joint controlled entities). (Table 1)
- 4) Marketable securities acquired and disposed at costs or prices at least \$300 million or 20% of the paid-in capital. (None)
- 5) Acquisition of individual real estate at costs of at least \$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least \$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least \$100 million or 20% of the paid-in capital. (Table 2)
- 8) Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital. (Table 3)
- 9) Trading in derivative instruments. (None)
- 10) Information on investees. (Table 4)

b. Information on investments in mainland China. (None)

c. Information of major shareholders : List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 5)

TABLE 1

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars or Shares, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022			
				Number of Shares	Carrying Amount	Percentage of Ownership	Fair Value
The Company	<u>Share capital</u>						
	UHT Ltd.	-	Financial assets at FVTOCI - non-current	1,100	\$ 13,805	1.7%	\$ 13,805
	AAI	The Company is a corporate director.	Financial assets at FVTOCI - non-current	4,968	27,400	13.09%	27,400
	Metro Ltd.	The Company is a corporate director.	Financial assets at FVTOCI - non-current	300	2,168	6%	2,168

Note: Information about subsidiaries and associates is provided in Table 4.

TABLE 2

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Purchaser or Seller	Related Party	Nature of Relationship with the Purchaser or Seller	Transaction Details				Abnormal Transaction		Notes and Accounts Receivable (Payable)		Note
			Purchases (Sales)	Amount	% to Total	Collection Terms	Unit Price	Collection Terms	Ending Balance	% to Total	
The Company	ITEC	Associate	Sales Purchases	\$ (1,238,393) 507,759	(4) 3	Note	Note	Note	\$ 335,152 (24,530)	4 (1)	

Note: Information is provided in Note 28.

TABLE 3

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	ITEC	Associate	\$ 335,152	5.28	\$ -	-	\$ 335,152	\$ -

TABLE 4**AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES**

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars or Shares, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2022	December 31, 2021	Shares	%	Carrying Amount			
The Company	AIDC USA	Delaware, USA	Provide program management and relevant services for purchasing and selling raw materials, parts and components of aircraft, engines and subsystems.	\$ 288,661	\$ 288,661	-	100	\$ 1,502,377	\$ 189,383	\$ 186,742 (Note)	Subsidiary
	HYCO	Taichung City, ROC	Venue and premises leasing, retail of cultural and creative commodities and medical aids, catering and education and training activities	15,000	-	1,500,000	100	15,000	-	-	Subsidiary
	JSPCO	Kaohsiung City, ROC	Design, maintain and manufacture of moulds, jigs, fixtures and mechanical parts	50,000	50,000	5,000,000	27.78	2,309	(46,501)	(13,582)	Associate
AIDC USA	ITEC	Delaware, USA	Development, production and remodel of aircraft	728	728	-	22.05	1,438,308	1,087,530	237,159	Associate

Note: The share of profits of subsidiaries included the effect of unrealized gross profit on intercompany transactions.

TABLE 5**AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND
SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2022**

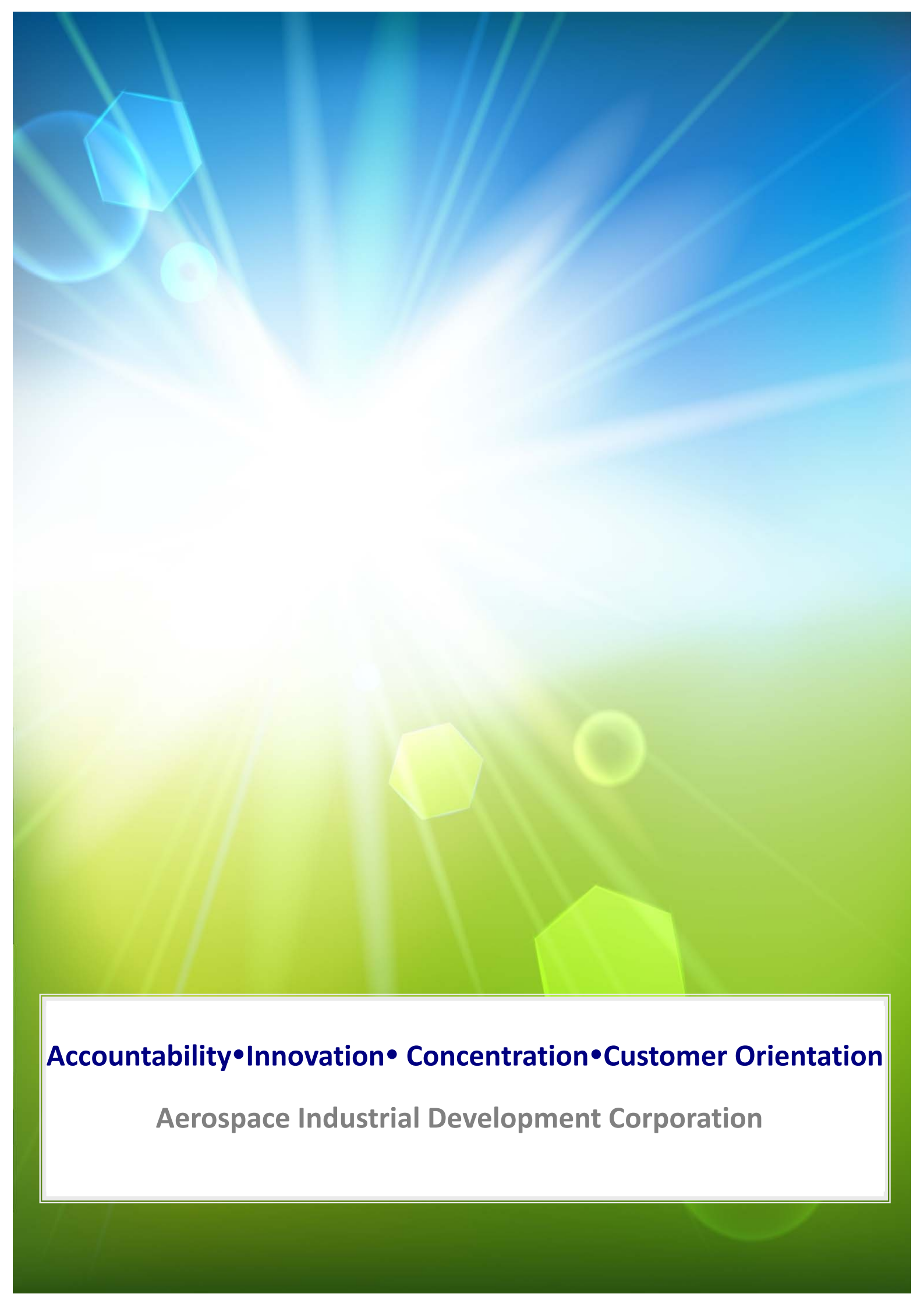
Name of Major Shareholder	Shares	
	Number of Shares (In Thousands)	Percentage of Ownership (%)
Ministry of Economic Affairs	331,302	35.17

Note: The information of major shareholders is based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (included treasury shares) by the Company as of December 31, 2022. The share capital in consolidated financial report may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Aerospace Industrial Development Corporation



Chairman Kai-Hung Hu



Accountability•Innovation• Concentration•Customer Orientation

Aerospace Industrial Development Corporation