Aerospace Industrial Development Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2023 and 2022 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2023 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard No. 10 "Consolidated Financial Statements". Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

Aerospace Industrial Development Corporation

By:

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Kai-Hung Hu
President

March 26, 2024

勤業眾信

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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, 2023 and 2022, 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, 2023 and 2022, 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 Financial Statement Auditing and Attestation Engagement of Certified Public Accountants and the Standards on Audting 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, 2023. 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, 2023 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, 2023 and 2022 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 Audting 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 Audting 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, 2023 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 26, 2024

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, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	December 31			
	2023		2022	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 3,367,456	8	$ 3,313,477	8
Contract assets - current (Notes 4 and 23)	1,385,123	3	1,520,979	4
Notes receivable (Notes 4 and 8)	11,595	-	3,651	-
Trade receivables from unrelated parties (Notes 4 and 8)	7,396,361	17	8,203,654	19
Trade receivables from related parties (Notes 4 and 29)	259,722	1	337,603	1
Other receivables (Notes 4 and 8)	41,708	-	37,806	-
Inventories (Notes 4, 5 and 9)	15,515,727	35	13,384,439	31
Other financial assets - current (Notes 4, 15 and 30)	1,285,140	3	17,225	-
Incremental costs of obtaining a contract - current (Notes 4 and 23)	177,342	-	134,592	-
Other current assets (Notes 4, 16, and 29)	998,443	2	1,952,057	5
Total current assets	30,438,617	69	28,905,483	68
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 7)	49,719	-	43,373	-
Investments accounted for using the equity method (Notes 4 and 11)	1,069,500	3	1,440,617	3
Property, plant and equipment (Notes 4, 12 and 30)	8,928,023	20	8,834,090	21
Right-of-use assets (Notes 4 and 13)	1,496,517	3	1,596,860	4
Intangible assets (Notes 4 and 14)	770,080	2	871,773	2
Deferred tax assets (Notes 4 and 25)	396,447	1	276,847	1
Prepayments for equipment	381,407	1	460,068	1
Net defined benefit assets - non-current (Notes 4 and 21)	189,944	1	159,757	-
Other financial assets - non-current (Notes 4, 15 and 30)	42,008	-	41,844	-
Other non-current assets (Notes 4, 8 and 16)	100,319	-	77,847	-
Total non-current assets	13,423,964	31	13,803,076	32
TOTAL	$ 43,862,581	100	$ 42,708,559	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 17)	$ 500,000	1	$ 1,500,000	4
Short-term bills payable (Note 17)	7,444,470	17	6,387,890	15
Contract liabilities (Notes 4 and 23)	1,126,421	3	2,155,899	5
Trade payables to unrelated parties	2,748,132	6	1,670,230	4
Trade payables to related parties (Note 29)	27,891	-	24,530	-
Other payables (Notes 19 and 29)	4,052,888	9	3,805,819	9
Current tax liabilities (Notes 4 and 25)	565,010	2	313,821	1
Lease liabilities - current (Notes 4 and 13)	103,904	-	105,125	-
Current portion of long-term borrowings and bonds payable (Note 18)	2,999,426	7	-	-
Other current liabilities	871,125	2	68,367	-
Total current liabilities	20,439,267	47	16,031,681	38
NON-CURRENT LIABILITIES				
Bonds payable (Note 18)	3,447,223	8	6,445,214	15
Long-term borrowings (Note 17)	-	-	1,800,000	4
Provisions - non-current (Notes 4 and 20)	817,072	2	530,420	1
Deferred tax liabilities (Notes 4 and 25)	341,702	1	294,502	1
Lease liabilities - non-current (Notes 4 and 13)	1,447,876	3	1,540,915	4
Long-term deferred revenue (Note 4)	7,348	-	8,260	-
Guarantee deposits	262,753	-	224,662	-
Total non-current liabilities	6,323,974	14	10,843,973	25
Total liabilities	26,763,241	61	26,875,654	63
EQUITY				
Ordinary shares	9,418,671	21	9,418,671	22
Capital surplus	11,746	-	4,981	-
Retained earnings				
Legal reserve	1,374,269	3	1,201,854	3
Special reserve	1,946,538	5	2,055,275	5
Unappropriated earnings	4,366,362	10	3,197,207	7
Other equity	(18,246)	-	(45,083)	-
Total equity	17,099,340	39	15,832,905	37
TOTAL	$ 43,862,581	100	$ 42,708,559	100

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, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2023		2022	
	Amount	%	Amount	%
SALES (Notes 4, 23 and 29)	$ 39,100,002	100	$ 30,242,307	100
COST OF GOODS SOLD (Notes 9, 24 and 29)	34,742,053	89	27,331,310	90
GROSS PROFIT	4,357,949	11	2,910,997	10
OPERATING EXPENSES (Notes 24 and 29)				
Selling and marketing expenses	153,920	-	144,740	1
General and administrative expenses	762,874	2	665,399	2
Research and development expenses	655,683	2	591,208	2
Expected credit loss (gain) (Notes 4 and 8)	(5,192)	-	2,662	-
Total operating expenses	1,567,285	4	1,404,009	5
PROFIT FROM OPERATIONS	2,790,664	7	1,506,988	5
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4 and 24)	155,853	1	160,737	1
Other gains and losses (Notes 4, 14 and 24)	(317,682)	(1)	292,133	1
Share of profit of associates (Note 4)	407,560	1	223,577	1
Interest income	65,428	-	15,028	-
Finance costs	(259,864)	(1)	(163,496)	(1)
Total non-operating income and expenses	51,295	-	527,979	2
PROFIT BEFORE INCOME TAX	2,841,959	7	2,034,967	7
INCOME TAX EXPENSE (Notes 4 and 25)	616,060	1	407,634	2
NET PROFIT FOR THE YEAR	2,225,899	6	1,627,333	5
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	24,150	-	96,820	-
Unrealized gain (loss) on investments in equity instruments designated as at fair value through other comprehensive income	6,346	-	(3,510)	-

(Continued)

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2023		2022	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	$ 20,491	-	$ 112,247	1
Other comprehensive income for the year, net of income tax	50,987	-	205,557	1
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 2,276,886	6	$ 1,832,890	6
EARNINGS PER SHARE (Note 26)				
Basic	$ 2.36		$ 1.73	
Diluted	$ 2.36		$ 1.72	

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, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company							
			Retained Earnings (Note 22)			Other Equity		
	Common Stock (Note 22)	Capital Surplus (Notes 4 and 11)	Legal Reserve	Special Reserve	Unappropriated Earnings	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
BALANCE AT JANUARY 1, 2022	$ 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
Appropriation of 2022 earnings								
Legal reserve	-	-	172,415	-	(172,415)	-	-	-
Special reserve	-	-	-	(108,737)	108,737	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(1,017,216)	-	-	(1,017,216)
Changes in capital surplus from investments in associates accounted for using the equity method	-	6,765	-	-	-	-	-	6,765
Profit for the year ended December 31, 2023	-	-	-	-	2,225,899	-	-	2,225,899
Other comprehensive income for the year ended December 31, 2023, net of income tax	-	-	-	-	24,150	20,491	6,346	50,987
Total comprehensive income for the year ended December 31, 2023	-	-	-	-	2,250,049	20,491	6,346	2,276,886
BALANCE AT DECEMBER 31, 2023	$ 9,418,671	$ 11,746	$ 1,374,269	$ 1,946,538	$ 4,366,362	$ 11,235	$ (29,481)	$ 17,099,340

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, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2023	**2022**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 2,841,959	$ 2,034,967
Adjustments for:		
Depreciation expense	1,250,920	1,235,692
Amortization expense	228,501	178,430
Expected credit loss recognized (reversed)	(5,192)	2,662
Finance costs	259,864	163,496
Interest income	(65,428)	(15,028)
Dividend income	(167)	(131)
Share of profit of associates	(407,560)	(223,577)
Loss on disposal of property, plant and equipment	-	102
Impairment loss recognized on non-financial assets	56,483	193,983
Unrealized net loss on foreign currency exchange	168,505	9,620
Recognition of provisions	345,444	146,756
Other income from liabilities	(318)	(3,376)
Benefits from lease modification	-	(24,035)
Net changes in operating assets and liabilities		
Contract assets	135,856	(990,313)
Notes receivable	(7,944)	12,552
Trade receivables	711,843	(17,858)
Other receivables	15,394	(34,388)
Inventories	(2,097,039)	(1,651,455)
Other current assets	953,614	457,838
Incremental costs of obtaining a contract	(42,750)	(97,779)
Contract liabilities	(1,029,478)	639,364
Trade payables	1,091,886	(400,491)
Other payables	234,617	1,013,873
Other current liabilities	(131,137)	30,195
Deferred income	(912)	(304)
Cash generated from operations	4,506,961	2,660,795
Interest received	46,132	15,027
Interest paid	(262,591)	(144,234)
Income tax paid	(418,056)	(119,804)
Net cash generated from operating activities	3,872,446	2,411,784
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(807,570)	(308,342)
Proceeds from disposal of property, plant and equipment	-	2
Increase in refundable deposits	(64,405)	(38,719)
Decrease in refundable deposits	43,289	46,183
Payments for intangible assets	(238,846)	(154,931)

(Continued)

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2023	**2022**
Increase in other financial assets	$ (333,720)	$ (190)
Increase in other non-current assets	(15,372)	(10,147)
Increase in prepayments for equipment	(347,770)	(283,001)
Dividends received	791,185	57,429
Net cash used in investing activities	(973,209)	(691,716)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	44,270,000	24,050,000
Repayments of short-term borrowings	(45,270,000)	(23,750,000)
Proceeds from short-term bills payable	42,812,213	28,293,541
Repayments of short-term bills payable	(41,755,633)	(30,542,579)
Proceeds from long-term borrowings	4,820,000	36,587,000
Repayments of long-term borrowings	(6,620,000)	(35,967,000)
Proceeds of guarantee deposits	130,413	125,219
Refund of guarantee deposits	(92,322)	(94,658)
Repayment of the principal portion of lease liabilities	(112,361)	(96,049)
Dividends paid to owners of the Company	(1,017,216)	(329,653)
Net cash used in financing activities	(2,834,906)	(1,724,179)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(10,352)	4,932
NET INCREASE IN CASH AND CASH EQUIVALENTS	53,979	821
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	3,313,477	3,312,656
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 3,367,456	$ 3,313,477

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, 2023 AND 2022
(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 26, 2024.

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 "IFRS Accounting Standards") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Group's accounting policies.

b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
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
Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards 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.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

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 exist 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, which may have difficulty complying with the covenants and repaying 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, at the option of the counterparty, result in its settlement by a transfer of the Group’s own equity instruments, and if such an 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.

Upon initial application of the amendments to IAS 1, the anticipated adjustments on liabilities for the year of 2023 is set out below:

	Carrying Amount	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount**
December 31, 2023			
Provision for liabilities - current	$ -	$ 817,072	$ 817,072
Provision for liabilities - non-current	817,072	(817,072)	-
Total effect on liabilities	$ 817,072	$ -	$ 817,072
January 1, 2023			
Provision for liabilities - current	$ -	$ 530,420	$ 530,420
Provision for liabilities - non-current	530,420	(530,420)	-
Total effect on liabilities	$ 530,420	$ -	$ 530,420

Except for the above impact, 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 IFRS Accounting Standards issued by International Accounting Standards Board (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
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 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

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 MATERIAL ACCOUNTING POLICY INFORMATION

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 IFRS Accounting Standards 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. 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. Incremental costs of obtaining a contract

Expenses directly related to a contract with the customer that result in resources that will enhance the use of resources to meet future contractual obligations shall be recognized as performance costs to the extent of the recoverable amount and shall be reclassified to operating costs when the performance obligation is satisfied.

j. 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.

k. 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.

l. 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.

m. 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.

n. 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.

o. Leasing

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

<u>The Group as lessee</u>

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.

p. Borrowing costs

Borrowing costs are recognized in profit or loss in the period in which they are incurred.

q. 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.

r. 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.

s. 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. MATERIAL 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.

Management reviews estimates and underlying assumptions on an ongoing basis as the Company develops material accounting estimates.

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	
	2023	**2022**
Cash on hand and petty cash	$ 654	$ 601
Checking accounts and demand deposits	3,103,081	2,975,066
Cash equivalents		
Time deposits with original maturities of three months or less	263,721	337,810
	$ 3,367,456	$ 3,313,477
Rates of bank balance (%)		
Demand deposits	0.00-4.70	0.00-3.55
Time deposits	1.16-5.15	3.50-4.68

7. FINANCIAL ASSETS AT FVTOCI - NON-CURRENT

	December 31	
	2023	**2022**
Emerging market shares		
UHT Unitech Co Ltd. (UHT Ltd.)	$ 22,330	$ 13,805
Unlisted ordinary shares		
	25,164	27,400
Aerovision Avionics Inc. (AAI)	2,225	2,168
Metro Consulting Service Ltd. (Metro Ltd.)		
	27,389	29,568
	$ 49,719	$ 43,373

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	
	2023	2022
Notes receivable	$ 11,595	$ 3,651
Trade receivables from unrelated parties		
At amortized cost		
Gross carrying amount	$ 7,396,550	$ 8,203,664
Less: Allowance for impairment loss	(189)	(10)
	$ 7,396,361	$ 8,203,654
Other receivables		
Other tax refunds	$ 21,646	$ 32,801
Others	20,062	5,005
	$ 41,708	$ 37,806

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
December 31, 2023						
Expected credit loss rate	0%	0%-2%	2%-11%	10%-50%	100%	
Gross carrying amount	$ 7,378,153	$ 29,767	$ 225	$ 134	$ 7,111	$ 7,415,390
Loss allowance (Lifetime ECLs)	-	(185)	(4)	(52)	(7,111)	(7,352)
Amortized cost	$ 7,378,153	$ 29,582	$ 221	$ 82	$ -	$ 7,408,038
December 31, 2022						
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)	-	(8)	(2)	(37)	(12,497)	(12,544)
Amortized cost	$ 8,202,416	$ 4,806	$ 83	$ 799	$ -	$ 8,208,104

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

	For the Year Ended December 31, 2023	
	Trade receivables	Overdue receivables
Balance at January 1, 2023	$ 10	$ 12,534
Impairment loss recognized (reversed)	179	(5,371)
Balance at December 31, 2023	$ 189	$ 7,163

	For the Year Ended December 31, 2022	
	Trade receivables	Overdue receivables
Balance at January 1, 2022	$ 120	$ 9,762
Impairment loss recognized (reversed)	(110)	2,772
Balance at December 31, 2022	$ 10	$ 12,534

9. INVENTORIES

	December 31	
	2023	2022
Raw materials	$ 9,834,999	$ 8,809,530
Work in progress	5,285,547	4,527,467
Inventory in transit	395,181	47,442
	$ 15,515,727	$ 13,384,439

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

	For the Year Ended December 31	
	2023	2022
Recognition (reversal) of inventory write-downs	$ (93,041)	$ 154,981
Loss on disposal of inventories	32,586	44,253
Indemnity income	(39,600)	(22,857)
Income from sales of scraps	(23,707)	(36,688)

Reversal of inventory write-downs resulted from sold inventories and price increasing.

10. SUBSIDIARIES

Subsidiaries included in consolidated financial statements:

		% of Ownership	
		December 31	
Investor	Investee	2023	2022
The Company	AIDC USA LLC (AIDC USA)	100	100
	Hsiang Yuan Co., Ltd. (HYCO)	100	100

In order to further activate assets, the Company incorporated HYCO, which was 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 investee, 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			
	2023		2022	
	Amount	% of Ownership	Amount	% of Ownership
Investment in associate				
International Turbine Engine Company LLC (ITEC)	$ 1,060,266	22.05	$ 1,438,308	22.05
Jung Sheng Precision IND Co., Ltd. (JSPCO)	9,234	23.81	2,309	27.78
	$ 1,069,500		$ 1,440,617	

On March 4, 2022, the board of directors of JSPCO approved the cash injection amounted to $20,000, 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%.

On March 13, 2023 and November 20, 2023, the board of directors of JSPCO approved the cash injection amounted to both $15,000 thousand, and the subscription date were March 25, 2023 and November 29, 2023, respectively. The Company did not participate in this subscription. Therefore, the Company's percentage of ownership interest in JSPCO decreased from 27.78% to 23.81%.

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
Cost								
Balance at January 1, 2023	$ 5,933	$ 119,436	$ 6,674,164	$15,904,552	$ 759,436	$ 936,719	$ 623	$24,400,863
Additions		-	10,249	723,714	24,385	66,047	69	824,464
Disposals	-	-	-	(250,948)	(10,985)	(4,127)	-	(266,060)
Reclassification	-	-	-	418,816	5,089	-	(623)	423,282
Effects of foreign currency exchange differences	(1)	-	(4)	(1)	-	-	-	(6)
Balance at December 31, 2023	$ 5,932	$ 119,436	$ 6,684,409	$16,796,133	$ 777,925	$ 998,639	$ 69	$25,382,543
Accumulated depreciation and impairment								
Balance at January 1, 2023	$ -	$ 116,539	$ 3,545,031	$10,619,722	$ 710,083	$ 575,398	$ -	$15,566,773
Depreciation expense	-	738	165,447	905,748	20,671	61,213	-	1,153,817
Disposals	-	-	-	(250,948)	(10,985)	(4,127)	-	(266,060)
Effects of foreign currency exchange differences	-	-	(9)	(1)	-	-	-	(10)
Balance at December 31, 2023	$ -	$ 117,277	$ 3,710,469	$11,274,521	$ 719,769	$ 632,484	$ -	$16,454,520
Carrying amount at January 1, 2023	$ 5,933	$ 2,897	$ 3,129,133	$ 5,284,830	$ 49,353	$ 361,321	$ 623	$ 8,834,090
Carrying amount at December 31, 2023	$ 5,932	$ 2,159	$ 2,973,940	$ 5,521,612	$ 58,156	$ 366,155	$ 69	$ 8,928,023
Cost								
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	$ 5,933	$ 119,436	$ 6,674,164	$15,904,552	$ 759,436	$ 936,719	$ 623	$24,400,863
Accumulated depreciation and impairment								
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	$ -	$ 116,539	$ 3,545,031	$10,619,722	$ 710,083	$ 575,398	$ -	$15,566,773
Carrying amount at January 1, 2022	$ -	$ 3,635	$ 3,271,903	$ 5,672,968	$ 66,170	$ 398,324	$ -	$ 9,413,000
Carrying amount at December 31, 2022	$ 5,933	$ 2,897	$ 3,129,133	$ 5,284,830	$ 49,353	$ 361,321	$ 623	$ 8,834,090

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	
	2023	2022
Carrying amount		
Land	$ 1,485,791	$ 1,584,943
Buildings	462	4,777
Machinery and equipment	392	2,522
Transportation equipment	851	1,764
Other equipment	9,021	2,854
	$ 1,496,517	$ 1,596,860

	For the Year Ended December 31	
	2023	2022
Additions to right-of-use assets	$ 17,793	$ 8,221
Depreciation charge for right-of-use assets		
Land	$ 106,463	$ 102,402
Buildings	4,891	5,491
Machinery and equipment	2,130	3,547
Transportation equipment	920	819
Other equipment	3,739	3,320
	$ 118,143	$ 115,579

Except for the addition and recognized depreciation, the Company did not have significant sublease or impairment of right-of-use assets for the years ended December 31, 2023 and 2022.

b. Lease liabilities

	December 31	
	2023	2022
Carrying amount		
Current	$ 103,904	$ 105,125
Non-current	$ 1,447,876	$ 1,540,915

Range of discount rate for lease liabilities was as follows:

	December 31	
	2023	2022
Land	1.6%-1.75%	1.6%
Buildings	1.5%-5.0%	1.5%-2.5%
Machinery and equipment	1.5%	1.5%-1.6%
Transportation equipment	1.99%-4.19%	1.99%-4.19%
Other equipment	1.75%	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 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. The Company recognized rent concessions NT$24,025 thousand in profit or loss for the year ended December 31, 2022.

d. Other lease information

	For the Year Ended December 31	
	2023	**2022**
Expenses relating to short-term leases	$ 63,325	$ 28,001
Expenses relating to low-value asset leases	$ 908	$ 854
Total cash outflow for leases	$ (176,594)	$ (124,904)

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	
	2023	**2022**
Other intangible assets		
Computer software	$ 47,325	$ 39,639
Deferred technical cooperation expenses	20,456	5,284
Patent	1,153	1,415
Trademark	64	88
	68,998	46,426
Intangible assets in development		
Non-recurring costs of projects	701,082	825,347
	$ 770,080	$ 871,773

	Other Intangible Assets	**Intangible Assets in Development**
Cost		
Balance at January 1, 2023	$ 1,179,410	$ 7,145,246
Additions from internal developments	-	214,244
Additions	46,857	-
Disposals	(93,307)	(2,045)
Reclassification	3,150	-
Balance at December 31, 2023	$ 1,136,110	$ 7,357,445

(Continued)

	Other Intangible Assets	Intangible Assets in Development
Accumulated amortization and impairment		
Balance at January 1, 2023	$ 1,132,984	$ 6,319,899
Amortization expense	27,435	188,985
Disposals	(93,307)	(2,045)
Impairment losses recognized	-	149,524
Balance at December 31, 2023	$ 1,067,112	$ 6,656,363
Carrying amount at December 31, 2023	$ 68,998	$ 701,082

(Concluded)

	Other Intangible Assets	Intangible Assets in Development
Cost		
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	12	-
Balance at December 31, 2022	$ 1,179,410	$ 7,145,246
Accumulated amortization and impairment		
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	10	-
Balance at December 31, 2022	$ 1,132,984	$ 6,319,899
Carrying amount at December 31, 2022	$ 46,426	$ 825,347

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 long development period and delayed certification of civil aircrafts, 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 $149,524 thousand and $39,002 thousand for the years ended December 31, 2023 and 2022, 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) and bank deposits held for the National Defense Industrial Development Foundation .

	December 31	
	2023	2022
Other financial assets - current	$ 1,285,140	$ 17,225
Other financial assets – non-current	42,008	41,844
	$ 1,327,148	$ 59,069
Rates of interest per annum (%)	0.655-4.80	0.18-1.5

16. OTHER ASSETS

	December 31	
	2023	2022
Current		
Prepayments	$ 699,830	$ 1,784,870
Others	298,613	167,187
	$ 998,443	$ 1,952,057
Non-current		
Overdue receivables (Note 8)	$ 7,245	$ 13,333
Less: Allowance for impairment loss	(7,163)	(12,534)
	82	799
Refundable deposits	67,307	46,193
Others	32,930	30,855
	$ 100,319	$ 77,847

17. BORROWINGS

a. Short-term borrowings

	December 31	
	2023	2022
Unsecured borrowings	$ 500,000	$ 1,500,000
Rates of interest per annum (%)	1.5619	1.45-1.585

b. Short-term bills payable

	December 31	
	2023	2022
Commercial papers	$ 7,450,000	$ 6,400,000
Less: Unamortized discount on bills payable	(5,530)	(12,110)
	$ 7,444,470	$ 6,387,890
Rates of interest per annum (%)	1.46-1.52	1.32-1.59

c. Long-term borrowings

	December 31	
	2023	2022
Unsecured borrowings	$ -	$ 1,800,000
Rates of interest per annum (%)	-	1.58

18. BONDS PAYABLE

	December 31	
	2023	2022
Unsecured domestic bonds	$ 6,450,000	$ 6,450,000
Less: Unamortized discount on bonds payable	(3,351)	(4,786)
	6,446,649	6,445,214
Less: Current portion	(2,999,426)	-
Long-term borrowings	$ 3,447,223	$ 6,445,214

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	
	2023	2022
Payables for salaries and bonuses	$ 1,603,704	$ 1,315,652
Payables for outsourcing	854,220	1,016,067
Payables for annual leave	233,163	233,900
Payables for purchases of equipment	207,110	190,217
Payables for service fees	174,156	88,272
Payables for compensation of employees and remuneration of directors	142,963	103,461
Others	837,572	858,250
	$ 4,052,888	$ 3,805,819

20. PROVISIONS - NON-CURRENT

	December 31	
	2023	2022
Warranties	$ 810,597	$ 523,782
Others	6,475	6,638
	$ 817,072	$ 530,420

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 and HYCO 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 16.35% and 17.00% of total monthly salaries and wages for the years ended December 31, 2023 and 2022, 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	
	2023	**2022**
Present value of defined benefit obligation	$ 3,219,776	$ 3,071,417
Fair value of plan assets	(3,409,720)	(3,231,174)
Net defined benefit assets	$ (189,944)	$ (159,757)

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, 2022	$ 2,773,546	$ (2,812,278)	$ (38,732)
Service cost			
Current service cost	371,655	-	371,655
Net interest expense (income)	13,500	(14,620)	(1,120)
Recognized in profit or loss	385,155	(14,620)	370,535
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	211,408	-	211,408
Recognized in other comprehensive loss (income)	99,948	(220,973)	(121,025)
Contributions from the employer	-	(370,535)	(370,535)
Benefits paid	(187,232)	187,232	-
Balance at December 31, 2022	3,071,417	(3,231,174)	(159,757)
Service cost			
Current service cost	365,679	-	365,679
Net interest expense (income)	35,529	(39,615)	(4,086)
Recognized in profit or loss	401,208	(39,615)	361,593

(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)	$ -	$ (30,171)	$ (30,171)
Actuarial gain			
Experience adjustments	(16)	-	(16)
Recognized in other comprehensive loss (income)	(16)	(30,171)	(30,187)
Contributions from the employer	-	(361,593)	(361,593)
Benefits paid	(252,833)	252,833	-
Balance at December 31, 2023	$ 3,219,776	$ (3,409,720)	$ (189,944)

(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	
	2023	2022
Discount rate	1.20%	1.20%
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	
	2023	2022
Discount rate		
0.25% increase	$ (35,790)	$ (38,287)
0.25% decrease	$ 36,475	$ 39,075
Expected rate of salary increase		
0.25% increase	$ 36,276	$ 38,861
0.25% decrease	$ (35,772)	$ (38,268)

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	
	2023	2022
The expected contributions to the plan for the next year	$ 338,680	$ 361,593
The average duration of the defined benefit obligation	4.6 years	5.1 years

22. EQUITY

a. Ordinary shares

	December 31	
	2023	2022
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 IFRS Accounting Standards", the Company should appropriate to or reverse from special reserve.

The appropriations of earnings for 2022 and 2021 were approved in the shareholders' meetings on May 30, 2023 and May 27, 2022, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	2022	2021	2022	2021
Legal reserve	$ 172,415	$ 58,377		
Special reserve	45,083	153,820		
Reverse special reserve	(153,820)	(118,836)		
Cash dividends	1,017,216	329,653	$ 1.08	$ 0.35

The appropriation of earnings for 2023, which were proposed by the Company's board of directors on March 26, 2024, were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 225,005	
Special reserve	18,246	
Reverse special reserve	(45,083)	
Cash dividends	1,337,451	$ 1.42

The appropriation of earnings for 2023 are subject to the resolution of the shareholders in their meeting to be held in May 2024.

23. REVENUE

a. Sales revenue

	For the Year Ended December 31	
	2023	2022
Aircraft/Vehicle Maintenance	$ 23,337,164	$ 18,403,501
Aero/Industrial Engine	11,862,341	9,884,701
Industrial Technology Services	3,900,497	1,954,105
	$ 39,100,002	$ 30,242,307

b. Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Contract assets			
Aircraft/Vehicle Maintenance	$ 540,735	$ 458,322	$ 530,666
Others	844,388	1,062,657	-
	$ 1,385,123	$ 1,520,979	$ 530,666

(Continued)

	December 31, 2023	December 31, 2022	January 1, 2022
Contract liabilities			
Aircraft/Vehicle Maintenance	$ 1,094,817	$ 1,965,971	$ 1,492,907
Others	31,604	189,928	23,628
	$ 1,126,421	$ 2,155,899	$ 1,516,535

(Concluded)

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	
	2023	2022
Expected credit loss rate	0%	0%
Gross carrying amount	$ 1,385,123	$ 1,520,979
Allowance for impairment loss (Lifetime ECLs)	-	-
	$ 1,385,123	$ 1,520,979

c. Assets related to contract costs

	December 31	
	2023	2022
Incremental costs of obtaining a contract	$ 177,342	$ 134,592

For information about the incremental costs of obtaining a contract, refer to the description of the material accounting policy in Note 4.

24. NET PROFIT

a. Other income

	For the Year Ended December 31	
	2023	2022
Subsidy income	$ 88,837	$ 72,386
Remedy income	30,492	12,230
Others	36,524	76,121
	$ 155,853	$ 160,737

b. Other gains and losses

	For the Year Ended December 31	
	2023	2022
Impairment loss (Note 14)	$ (149,524)	$ (39,002)
Net foreign exchange gains (losses)	(56,737)	522,701
Handling fee	(15,809)	(18,273)
Loss on disposal of property, plant and equipment	-	(102)
Others	(95,612)	(173,191)
	$ (317,682)	$ 292,133

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, 2023						
Employee benefits expense						
Salaries expense	$ 5,442,527	$ 681,794	$ -	$ 59,558	$ 798	$ 6,184,677
Retirement benefits						
Defined contribution plans	115,128	15,813	-	1,771	25	132,737
Defined benefit plans	313,594	43,094	-	4,838	67	361,593
Labor and health insurance	371,415	39,868	72,252	4,481	61	488,077
Other employee benefits	60,565	7,517	11,651	42	1	79,776
Depreciation expense	1,184,000	65,316	1,604	20,562	478	1,271,960
Amortization expense	220,721	7,780	-	1,214	3	229,718
For the Year Ended December 31, 2022						
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

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 2023 and 2022 which were resolved by the board of directors on March 26, 2024 and March 27, 2023, are as follows:

	For the Year Ended December 31			
	2023		2022	
	The Proportion of Estimate	Amount of Money	The Proportion of Estimate	Amount of Money
Compensation of employees	4.65%	$ 127,108	4.65%	$ 91,987
Remuneration of directors	0.58%	15,855	0.58%	11,474

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, 2022 and 2021.

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	
	2023	2022
Foreign exchange gains	$ 873,713	$ 1,202,071
Foreign exchange losses	(930,450)	(679,370)
Net gains (losses)	$ (56,737)	$ 522,701

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	
	2023	2022
Current tax		
In respect of the current year	$ 661,134	$ 338,702
Income tax on unappropriated earnings	8,204	-
Adjustments for prior years	(94)	805
	669,244	339,507
Deferred tax		
In respect of the current year	(53,184)	68,127
Income tax expense recognized in profit or loss	$ 616,060	$ 407,634

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2023	2022
Income tax expense calculated at the statutory rate	$ 655,149	$ 452,382
Income tax on unappropriated earnings	8,204	-
Nondeductible expenses in determining taxable income	48	2,793
Investment credits	(26,518)	(40,919)
Temporary differences	(18,608)	30,996
Tax-exempt income	(2,121)	(10,672)
Adjustments for prior years' tax	(94)	805
Unrecognized loss carryforwards	-	(27,751)
Income tax expense recognized in profit or loss	$ 616,060	$ 407,634

The federal tax rates used by a Subsidiary in the United States were both 21% for the years ended December 31, 2023 and 2022, the state tax rates is determined by the state government where the residence is located.

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	
	2023	**2022**
Deferred tax		
Exchange differences on translation of the financial statements of foreign operations	$ (25,253)	$ 28,061
Remeasurement of defined benefit plans	6,037	24,206
	$ (19,216)	$ 52,267

c. Deferred tax assets and liabilities

	For the Year Ended December 31, 2023			
	Opening Balance	**Recognized in Profit or Loss**	**Recognized in Other Comprehensive Income**	**Closing Balance**
Deferred tax assets				
Temporary differences				
Intangible assets	$ 121,823	$ 29,554	$ -	$ 151,377
Provisions	100,051	57,330	-	157,381
Payables for annual leave	46,780	(147)	-	46,633
Property, plant and equipment	5,252	-	-	5,252
Unrealized loss on foreign currency exchange	2,887	32,859	-	35,746
Others	54	4	-	58
	$ 276,847	$ 119,600	$ -	$ 396,447
Deferred tax liabilities				
Temporary differences				
Investments accounted for using the equity method	$ 234,489	$ 66,416	$ -	$ 300,905
Defined benefit plans	31,952	-	6,037	37,989
Exchange differences on foreign operations	28,061	-	(25,253)	2,808
	$ 294,502	$ 66,416	$ (19,216)	$ 341,702

	For the Year Ended December 31, 2022			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
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	912	(858)	-	54
	$ 307,626	$ (30,779)	$ -	$ 276,847
Deferred tax liabilities				
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	-	-	28,061	28,061
	$ 204,887	$ 37,348	$ 52,267	$ 294,502

d. Deductible temporary differences for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2023	2022
Deductible temporary differences		
Inventories	$ 2,437,545	$ 2,530,586

e. Income tax assessments

Income tax returns of the Company through 2021 have been examined and cleared by the tax authorities.

26. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2023	2022
Basic earnings per share	$ 2.36	$ 1.73
Diluted earnings per share	$ 2.36	$ 1.72

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	
	2023	2022
Profit for the year attributable to owners of the Company		
Earnings used in the computation of basic earnings per share (Earnings used in the computation of diluted earnings per share)	$ 2,225,899	$ 1,627,333
Weighted average number of ordinary shares outstanding (in thousands of shares)		
Weighted average number of ordinary shares used in computation of basic earnings per share	941,867	941,867
Effect of potentially dilutive ordinary shares	2,895	2,805
Weighted average number of ordinary shares used in the computation of diluted earnings per share	944,762	944,672

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
December 31, 2023				
Financial assets at FVTOCI				
Investments in equity instruments				
Emerging market shares	$ 22,330	$ -	$ -	$ 22,330
Unlisted shares	-	-	27,389	27,389
	$ 22,330	$ -	$ 27,389	$ 49,719
December 31, 2022				
Financial assets at FVTOCI				
Investments in equity instruments				
Emerging market shares	$ 13,805	$ -	$ -	$ 13,805
Unlisted shares	-	-	29,568	29,568
	$ 13,805	$ -	$ 29,568	$ 43,373

There were no transfers between Levels 1 and 2 for the years ended December 31, 2023 and 2022, respectively.

2) Reconciliation of Level 3 fair value measurements of financial instruments

Financial Assets	Financial Assets at FVTOCI Equity Instruments
For the Year Ended December 31, 2023	
Balance at January 1, 2023	$ 29,568
Recognized in other comprehensive loss	(2,179)
Balance at December 31, 2023	$ 27,389
For the Year Ended December 31, 2022	
Balance at January 1, 2022	$ 34,178
Recognized in other comprehensive loss	(4,610)
Balance at December 31, 2022	$ 29,568

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	
	2023	2022
Financial assets		
Financial assets at amortized cost	$ 12,471,379	$ 12,002,252
Financial assets at FVTOCI - non-current	49,719	43,373
Financial liabilities		
Amortized cost	20,340,270	20,218,219

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 (included not later than one year) , 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 (included not later than one year) and long-term borrowings (included not later than one year) . 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 $27,666 thousand and $23,374 thousand for the years ended December 31, 2023 and 2022, 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 (included not later than one year) , long-term borrowings (included not later than one year) 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, 2023 and 2022 would have decreased/increased by $1,250 thousand and $8,250 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 50% and 38% of the total trade receivables as of December 31, 2023 and 2022, 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, 2023 and 2022, 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
December 31, 2023			
Non-interest bearing liabilities	$ 5,686,398	$ 262,753	$ -
Lease liabilities	128,289	413,089	1,409,765
Variable interest rate liabilities	500,000	-	-
Fixed interest rate liabilities	10,450,000	3,450,000	-
	$ 16,764,687	$ 4,125,842	$ 1,409,765
December 31, 2022			
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	6,400,000	3,000,000	3,450,000
	$ 11,891,329	$ 5,507,532	$ 4,907,252

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	
	2023	2022
Unsecured bank overdraft facility:		
Amount unused	$ 20,947,741	$ 20,513,212

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

Related Party Name	Relationship with the Group
ITEC	Associate
JSPCO	Associate
Ministry of Economic Affairs	Corporate director

b. Sales of goods

Related Party Name	For the Year Ended December 31 2023	2022
ITEC	$ 2,164,098	$ 1,265,363
JSPCO	301	95
	$ 2,164,399	$ 1,265,458

The Group's sales prices are based on the contracts. The collection terms are as follows:

Item	Collection Terms
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

Related Party Name	For the Year Ended December 31 2023	2022
ITEC	$ 584,708	$ 507,759

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

Related Party Name	For the Year Ended December 31 2023	2022
JSPCO	$ 79,141	$ 65,550
ITEC	9,806	20,067
	$ 88,947	$ 85,617

e. Receivables from related parties

Related Party Name	December 31 2023	2022
ITEC	$ 259,722	$ 337,587
JSPCO	-	16
	$ 259,722	$ 337,603

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 2023	December 31 2022
ITEC	$ 3,529	$ -

g. Payables to related parties

Related Party Name	December 31 2023	December 31 2022
ITEC	$ 27,891	$ 24,530

The outstanding trade payables to related parties are unsecured.

h. Other payables

Related Party Name	December 31 2023	December 31 2022
JSPCO	$ 5,503	$ 6,401

i. Remuneration of key management personnel

	For the Year Ended December 31 2023	For the Year Ended December 31 2022
Short-term employee benefits	$ 46,760	$ 32,299
Post-employment benefits	1,737	1,735
	$ 48,497	$ 34,034

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 time deposits and property, plant and equipment were provided as collateral for obligation:

	December 31 2023	December 31 2022
Property, plant and equipment	$ 1,760,121	$ 1,829,621
Other financial assets - current	4,386	4,338
Other financial assets - non-current	42,008	41,844
	$ 1,806,515	$ 1,875,803

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as follows:

a. As of December 31, 2023 and 2022, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately $750,266 thousand and $1,237,627 thousand, respectively.

b. As of December 31, 2023 and 2022, unpaid contract for purchases of raw materials and machinery and equipment amounted to approximately $27,706,062 thousand and $27,894,241 thousand, respectively.

c. 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, and is in the process of continuous and prudent evaluation in accordance with the environmental impact assessment and development needs.

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					
	2023			2022		
	Foreign Currency	**Exchange Rate**	**New Taiwan Dollars**	**Foreign Currency**	**Exchange Rate**	**New Taiwan Dollars**
Financial assets						
Monetary items						
USD	$ 219,065	30.705	$ 6,726,391	$ 163,051	30.71	$ 5,007,296
Non-monetary items						
USD	59,589	30.705	1,829,686	48,921	30.71	1,502,377
Financial liabilities						
Monetary items						
USD	38,861	30.705	1,193,227	10,828	30.71	332,528

The significant unrealized foreign exchange losses were as follows:

	For the Year Ended December 31			
	2023		2022	
Foreign Currency	**Exchange Rate**	**Net Foreign Exchange Loss**	**Exchange Rate**	**Net Foreign Exchange Loss**
USD	30.705	$(178,746)	30.71	$ (14,686)

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	
	2023	**2022**
Asia	$ 23,985,029	$ 17,430,794
Americas	13,258,313	10,631,545
Europe	1,856,660	2,179,968
	$ 39,100,002	$ 30,242,307

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			
	2023		2022	
	Amount	%	Amount	%
Customer A	$ 11,536,011	30	$ 7,947,608	26
Customer B	5,403,234	14	4,210,876	14
Customer C	4,179,890	11	3,952,217	13

TABLE 1

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2023
(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, 2023			
				Number of Shares	Carrying Amount	Percentage of Ownership	Fair Value
The Company	Share capital						
	UHT Ltd.	-	Financial assets at FVTOCI - non-current	1,100	$ 22,330	1.30%	$ 22,330
	AAI	The Company is a corporate director.	Financial assets at FVTOCI - non-current	4,968	25,164	13.09%	25,164
	Metro Ltd.	The Company is a corporate director.	Financial assets at FVTOCI - non-current	300	2,225	6%	2,225

Note: Information about Subsidiaries and associates is provided in Table 5.

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, 2023
(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	$ (2,128,183) 584,708	(5) 3	Note	Note	Note	$ 256,691 (27,891)	3 (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, 2023
(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	$ 256,691	7.19	$ -	-	$ 256,691	$ -

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2023
(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	$ 3,670	T/T 30 - 60 days	-
		AIDC USA	Parent company to subsidiary	Manufacturing expenses	30,914	T/T 30 - 60 days	-
		AIDC USA	Parent company to subsidiary	Operation expenses	27,071	T/T 30 - 60 days	-
		AIDC USA	Parent company to subsidiary	Other payables	16,099	T/T 30 - 60 days	-
		HYCO	Parent company to subsidiary	Operating revenue	10,526	T/T 30 - 60 days	-
		HYCO	Parent company to subsidiary	Manufacturing expenses	8,138	T/T 30 - 60 days	-

Note: Transactions have been eliminated.

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2023
(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, 2023			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2023	December 31, 2022	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	$ 1,829,686	$ 312,127	$ 332,080 (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	15,000	1,500,000	100	25,199	10,185	10,199 (Note)	Subsidiary
	JSPCO	Kaohsiung City, ROC	Design, maintain and manufacture of moulds, jigs, fixtures and mechanical parts	50,000	50,000	5,000,000	23.81	9,234	373	160	Associate
AIDC USA	ITEC	Delaware, USA	Development, production and remodel of aircraft	728	728	-	22.05	1,060,266	1,757,131	407,400	Associate

Note: The share of profits of subsidiaries included the effect of unrealized gross profit on intercompany transactions.

Table 6

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2023

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, 2023. 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.