Aerospace Industrial Development Corporation and Subsidiary

Consolidated Financial Statements for the Six Months Ended June 30, 2023 and 2022 and Independent Auditors' Review Report

Deloitte.

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INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Aerospace Industrial Development Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of Aerospace Industrial Development Corporation and its subsidiary (collectively referred to as the "Group") as of June 30, 2023 and 2022 and the related consolidated statements of comprehensive income for the three months ended June 30, 2023 and 2022 and for the six months ended June 30, 2023 and 2022, the consolidated statements of changes in equity and cash flows for the six months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the basis for qualified conclusion, we conducted our reviews in accordance with the Standards on Review Engagements of the Republic of China 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As disclosed in Note 11 to the consolidated financial statements, the financial statements which were used as bases of investments accounted for by the equity method included in the consolidated financial statements referred to in the first paragraph were not reviewed. The carrying amounts of the related investments as of June 30, 2023 and 2022 were NT$1,050,327 thousand and NT$1,281,046 thousand, respectively. For the three months ended June 30, 2023 and 2022 and for the six months ended June 30, 2023 and 2022, the amounts of the related share of profit of associates were NT$71,352 thousand, NT$50,178 thousand, NT$190,532 thousand, and NT$83,048 thousand, respectively.

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements which were used as bases of the investment accounted for using equity method as described in the basis for qualified conclusion been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the consolidated financial position of the Group as at June 30, 2023 and 2022, its consolidated financial performance for the three months ended June 30, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 7, 2023

<u>Notice to Readers</u>

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 review such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' review 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' review report and consolidated financial statements shall prevail.

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	June 30, 2023		December 31, 2022		June 30, 2022	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	$ 521,966	1	$ 3,313,477	8	$ 1,473,253	4
Contract assets - current (Note 23)	3,599,335	8	1,520,979	3	604,981	2
Notes receivable (Note 8)	5,317	-	3,651	-	12,776	-
Trade receivables from unrelated parties (Note 8)	10,473,125	22	8,203,654	19	9,112,520	22
Trade receivables from related parties (Note 29)	136,752	-	337,603	1	85,876	-
Other receivables (Note 8)	103,555	-	37,806	-	40,082	-
Current tax assets (Note 4)	6,026	-	-	-	7,402	-
Inventories (Note 9)	16,618,818	35	13,519,031	32	13,536,481	33
Other financial asset - current (Notes 15 and 30)	1,240,566	3	17,225	-	14,898	-
Other current assets (Notes 16 and 29)	1,118,112	3	1,952,057	5	2,092,719	5
Total current assets	33,823,572	72	28,905,483	68	26,980,988	66
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income - non-current (Note 7)	48,617	-	43,373	-	49,379	-
Investment accounted for using equity method (Note 11)	1,050,327	2	1,440,617	3	1,281,046	3
Property, plant and equipment (Notes 12 and 30)	8,846,968	19	8,834,090	21	9,032,990	22
Right-of-use assets (Note 13)	1,545,603	3	1,596,860	4	1,653,720	4
Intangible assets (Note 14)	886,042	2	871,773	2	876,271	2
Deferred tax assets (Notes 4 and 25)	316,639	1	276,847	1	276,578	1
Prepayments for equipment	325,251	1	460,068	1	290,481	1
Net defined benefit assets - non-current (Notes 4 and 21)	269,511	-	159,757	-	149,757	1
Other financial asset - non-current (Notes 15 and 30)	41,844	-	41,844	-	41,753	-
Other non-current assets (Notes 8 and 16)	80,232	-	77,847	-	76,788	-
Total non-current assets	13,411,034	28	13,803,076	32	13,728,763	34
TOTAL	$ 47,234,606	100	$ 42,708,559	100	$ 40,709,751	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 17)	$ 5,860,000	13	$ 1,500,000	4	$ 4,200,000	10
Short-term bills payable (Note 17)	7,439,714	16	6,387,890	15	2,598,385	7
Contract liabilities (Note 23)	49,703	-	2,155,899	5	41,466	-
Trade payables to unrelated parties	3,025,338	6	1,670,230	4	2,004,819	5
Trade payables to related parties (Note 29)	33,451	-	24,530	-	14,314	-
Other payables (Notes 19 and 29)	4,395,284	9	3,805,819	9	3,131,206	8
Current tax liabilities (Notes 4 and 25)	309,440	1	313,821	1	139,184	-
Lease liabilities - current (Note 13)	104,516	-	105,125	-	106,270	-
Other current liabilities	705,742	2	68,367	-	39,864	-
Total current liabilities	21,923,188	47	16,031,681	38	12,275,508	30
NON-CURRENT LIABILITIES						
Bonds payable (Note 18)	6,445,932	14	6,445,214	15	6,444,496	16
Long-term borrowings (Note 17)	-	-	1,800,000	4	4,590,000	11
Provisions - non-current (Note 20)	652,942	1	530,420	1	460,970	1
Deferred tax liabilities (Notes 4 and 25)	320,569	1	294,502	1	253,115	1
Lease liabilities - non-current (Note 13)	1,493,045	3	1,540,915	4	1,591,948	4
Long-term deferred revenue	7,689	-	8,260	-	7,993	-
Guarantee deposits	225,269	-	224,662	-	187,945	-
Total non-current liabilities	9,145,446	19	10,843,973	25	13,536,467	33
Total liabilities	31,068,634	66	26,875,654	63	25,811,975	63
EQUITY						
Ordinary shares	9,418,671	20	9,418,671	22	9,418,671	23
Capital surplus	8,631	-	4,981	-	4,981	-
Retained earnings						
Legal reserve	1,374,269	3	1,201,854	3	1,201,854	3
Special reserve	1,946,538	4	2,055,275	5	2,055,275	5
Unappropriated earnings	3,413,702	7	3,197,207	7	2,275,168	6
Other equity	4,161	-	(45,083)	-	(58,173)	-
Total equity	16,165,972	34	15,832,905	37	14,897,776	37
TOTAL	$ 47,234,606	100	$ 42,708,559	100	$ 40,709,751	100

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

(With Deloitte & Touche review report dated August 7, 2023)

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
SALES (Notes 23 and 29)	$ 9,540,461	100	$ 7,359,445	100	$ 19,481,101	100	$ 13,127,773	100
COST OF GOODS SOLD (Notes 9, 24 and 29)	8,356,904	87	6,499,107	88	17,366,094	89	11,876,324	90
GROSS PROFIT	1,183,557	13	860,338	12	2,115,007	11	1,251,449	10
OPERATING EXPENSES (Note 24)								
Selling and marketing expenses	39,959	1	40,403	1	77,241	-	85,240	1
General and administrative expenses	184,445	2	167,238	2	334,802	2	295,329	2
Research and development expenses	120,298	1	118,954	2	217,461	1	239,639	2
Expected credit loss (gain) (Note 8)	(1,671)	-	6,371	-	(986)	-	3,193	-
Total operating expenses	343,031	4	332,966	5	628,518	3	623,401	5
PROFIT FROM OPERATIONS	840,526	9	527,372	7	1,486,489	8	628,048	5
NON-OPERATING INCOME AND EXPENSES								
Other income (Note 24)	21,593	-	49,408	1	64,709	-	73,999	-
Other gains and losses (Note 24)	69,471	1	142,636	2	6,684	-	263,482	2
Share of profit of associates	71,352	1	50,178	1	190,532	1	83,048	1
Interest income	22,833	-	2,837	-	30,808	-	3,558	-
Finance costs	(63,170)	(1)	(36,023)	(1)	(114,159)	-	(66,703)	(1)
Total non-operating income and expenses	122,079	1	209,036	3	178,574	1	357,384	2
PROFIT BEFORE INCOME TAX	962,605	10	736,408	10	1,665,063	9	985,432	7
INCOME TAX EXPENSE (Notes 4 and 25)	208,883	2	137,158	2	367,674	2	183,318	1
NET PROFIT FOR THE PERIOD	753,722	8	599,250	8	1,297,389	7	802,114	6
OTHER COMPREHENSIVE INCOME								
Items that will not be reclassified subsequently to profit or loss								
Unrealized gain (loss) on investments in equity instruments designated as at fair value through other comprehensive income	697	-	(1,509)	-	5,244	-	2,496	-
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translation of the financial statements of foreign operations	54,448	-	50,239	1	44,000	-	93,151	1
Other comprehensive income for the period, net of income tax	55,145	-	48,730	1	49,244	-	95,647	1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 808,867	8	$ 647,980	9	$ 1,346,633	7	$ 897,761	7
EARNINGS PER SHARE (Note 26)								
Basic	$ 0.80		$ 0.63		$ 1.38		$ 0.85	
Diluted	$ 0.79		$ 0.63		$ 1.37		$ 0.85	

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

(With Deloitte & Touche review report dated August 7, 2023)

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company							
			Retained Earnings (Note 22)			Other Equity		
	Ordinary Shares (Note 22)	Capital Surplus (Note 11)	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements 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 associate accounted for using the equity method	-	4,981	-	-	-	-	-	4,981
Profit for the six months ended June 30, 2022	-	-	-	-	802,114	-	-	802,114
Other comprehensive income for the six months ended June 30, 2022, net of income tax	-	-	-	-	-	93,151	2,496	95,647
Total comprehensive income for the six months ended June 30, 2022	-	-	-	-	802,114	93,151	2,496	897,761
BALANCE AT JUNE 30, 2022	$ 9,418,671	$ 4,981	$ 1,201,854	$ 2,055,275	$ 2,275,168	$ (28,352)	$ (29,821)	$ 14,897,776
BALANCE AT JANUARY 1, 2023	$ 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 associate accounted for using the equity method	-	3,650	-	-	-	-	-	3,650
Profit for the six months ended June 30, 2023	-	-	-	-	1,297,389	-	-	1,297,389
Other comprehensive income for the six months ended June 30, 2023, net of income tax	-	-	-	-	-	44,000	5,244	49,244
Total comprehensive income for the six months ended June 30, 2023	-	-	-	-	1,297,389	44,000	5,244	1,346,633
BALANCE AT JUNE 30, 2023	$ 9,418,671	$ 8,631	$ 1,374,269	$ 1,946,538	$ 3,413,702	$ 34,744	$ (30,583)	$ 16,165,972

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

(With Deloitte & Touche review report dated August 7, 2023)

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

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

	For the Six Months Ended June 30	
	2023	**2022**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 1,665,063	$ 985,432
Adjustments for:		
Depreciation expense	613,904	620,232
Amortization expense	100,034	84,573
Expected credit loss recognized (reversed)	(986)	3,193
Finance costs	114,159	66,703
Interest income	(30,808)	(3,558)
Share of profit of associates	(190,532)	(83,048)
Loss on disposal of property, plant and equipment	-	104
Impairment loss recognized (reversed) on non-financial assets	(29,309)	83,660
Unrealized net gain on foreign currency exchange	(75,268)	(131,454)
Recognition of provisions	154,015	56,475
Other income from liabilities	(14)	(387)
Benefits from lease modification	-	(12,012)
Net changes in operating assets and liabilities		
Contract assets	(2,078,356)	(74,315)
Notes receivable	(1,666)	3,427
Trade receivables	(1,985,757)	(530,818)
Other receivables	(56,253)	(36,610)
Inventories	(3,101,971)	(1,672,780)
Other current assets	833,945	317,176
Contract liabilities	(2,106,196)	(1,475,069)
Trade payables	1,357,712	(79,278)
Other payables	(293,183)	126,865
Other current liabilities	(32,102)	(720)
Net defined benefit assets	(109,754)	(111,025)
Deferred income	(571)	(571)
Cash used in operations	(5,253,894)	(1,863,805)
Interest received	21,312	3,503
Interest paid	(111,814)	(59,961)
Income tax paid	(372,430)	(66,379)
Net cash used in operating activities	(5,716,826)	(1,986,642)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(349,069)	(115,020)
Increase in refundable deposits	(27,871)	(20,198)
Decrease in refundable deposits	23,187	29,733
Payments for intangible assets	(95,846)	(44,831)
Decrease (increase) in other financial assets	(553,651)	1,487

(Continued)

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

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

	For the Six Months Ended June 30	
	2023	2022
Increase in other non-current assets	$ (4,993)	$ (5,226)
Increase in prepayments for equipment	(230,801)	(56,717)
Dividends received	597,342	30,774
Net cash used in investing activities	(641,702)	(179,998)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	19,310,000	6,800,000
Repayments of short-term borrowings	(14,950,000)	(3,800,000)
Proceeds from short-term bills payable	22,486,640	20,805,651
Repayments of short-term bills payable	(21,434,816)	(26,844,194)
Proceeds from long-term borrowings	4,820,000	15,232,000
Repayments of long-term borrowings	(6,620,000)	(11,822,000)
Proceeds from guarantee deposits received	60,423	55,222
Refund of guarantee deposits received	(59,816)	(61,378)
Repayment of the principal portion of lease liabilities	(56,749)	(41,323)
Net cash generated from financing activities	3,555,682	323,978
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	11,335	3,259
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,791,511)	(1,839,403)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	3,313,477	3,312,656
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 521,966	$ 1,473,253

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

(With Deloitte & Touche review report dated August 7, 2023) (Concluded)

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 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’s main business categories are as follows: design, manufacture, assembly, testing and maintenance of aircraft, engines, avionics and related components; consulting services and technology transfers of aerospace technology, logistical support and engineering technology management of large-scale projects; engineering and development of software and sales of aerospace products.

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on August 7, 2023.

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

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

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

b. The IFRSs in issue but not yet endorsed and issued into effect by the FSC

New , Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023

(Continued)

New , Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024
Amendments to IAS 7 and IFRS 7 "Supplier Financing Arrangements"	January 1, 2024
Amendments to IAS 12 "International Tax Reform -Pillar Two Model Rules"	Note 3

(Concluded)

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

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

Note 3: The requirement that the Group applies the exception and the requirement to disclose that fact is applied immediately upon issuance of the amendments and retrospectively in accordance with IAS 8. The remaining disclosure requirements are applied for annual reporting periods beginning on or after January 1, 2023, but not for any interim period ending on or before December 31, 2023.

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 could, 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.

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements.

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 assets which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which 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. Basis of consolidation

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

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

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 of subsidiaries (including percentages of ownership and main businesses).

d. Other material accounting policies

Except for the following, the summary of other significant accounting policies, please refer to the consolidated financial statements for the year ended December 31, 2022.

1) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

2) Income tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group considers the possible impact of the economic environment implications on the cash flow projection, growth rates, discount rates, profitabilities and other relevant material estimates. The estimates and underlying assumptions are reviewed on an ongoing basis by management. The material accounting judgments and key sources of estimation uncertainty of these consolidated financial statements were the same as those applied in the preparation of the consolidated financial statements for the year ended December 31, 2022.

6. CASH AND CASH EQUIVALENTS

	June 30, 2023	December 31, 2022	June 30, 2022
Cash on hand and petty cash	$ 745	$ 601	$ 601
Checking accounts and demand deposits	511,721	2,975,066	1,294,332
Cash equivalents			
Time deposits with original maturities of three months or less	9,500	337,810	178,320
	$ 521,966	$ 3,313,477	$ 1,473,253
Rates of bank balance (%)			
Demand deposits	0.001-4.40	0.00-3.55	0.00-1.20
Time deposits	1.16	3.50-4.68	1.33

7. FINANCIAL ASSETS AT FVTOCI – NON-CURRENT

	June 30, 2023	December 31, 2022	June 30, 2022
Emerging marked shares			
UHT Unitech Co Ltd. (UHT Ltd.)	$ 19,965	$ 13,805	$ 18,480
Unlisted ordinary shares			
Aerovision Avionics Inc. (AAI)	26,384	27,400	28,695
Metro Consulting Service Ltd. (Metro Ltd.)	2,268	2,168	2,204
	28,652	29,568	30,899
	$ 48,617	$ 43,373	$ 49,379

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 the financial assets are measured at fair value through other comprehensive income (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, TRADE RECEIVABLES AND OTHER RECEIVABLES

	June 30, 2023	December 31, 2022	June 30, 2022
Notes receivable	$ 5,317	$ 3,651	$ 12,776
Trade receivables from unrelated parties			
At amortized cost			
Gross carrying amount	$ 10,473,273	$ 8,203,664	$ 9,112,542
Less: Allowance for impairment loss	(148)	(10)	(22)
	$ 10,473,125	$ 8,203,654	$ 9,112,520
Other receivables			
Tax refund receivable	$ 93,693	$ 32,801	$ 33,917
Other	9,862	5,005	6,165
	$ 103,555	$ 37,806	$ 40,082

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 on 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 historical credit rate 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 receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the 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
June 30, 2023						
Expected credit loss rate	0%	1.10%	4.79%	8.28%	100%	
Gross carrying amount	$ 10,465,626	$ 12,822	$ 142	$ 529	$ 11,366	$ 10,490,485
Loss allowance (Lifetime ECLs)	-	(141)	(7)	(44)	(11,366)	(11,558)
Amortized cost	$ 10,465,626	$ 12,681	$ 135	$ 485	$ -	$ 10,478,927
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
June 30, 2022						
Expected credit loss rate	0%	0.17%	2.10%	4.64%	100%	
Gross carrying amount	$ 9,117,816	$ 7,041	$ 461	$ 254	$ 13,042	$ 9,138,614
Loss allowance (Lifetime ECLs)	-	(12)	(10)	(11)	(13,042)	(13,075)
Amortized cost	$ 9,117,816	$ 7,029	$ 451	$ 243	$ -	$ 9,125,539

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

	For the Six Months Ended June 30, 2023		For the Six Months Ended June 30, 2022	
	Trade receivables	Overdue receivables	Trade receivables	Overdue receivables
Balance at January 1	$ 10	$ 12,534	$ 120	$ 9,762
Impairment loss recognized (reversed)	138	(1,124)	(98)	3,291
Balance at June 30	$ 148	$ 11,410	$ 22	$ 13,053

9. INVENTORIES

	June 30, 2023	December 31, 2022	June 30, 2022
Raw materials	$ 11,051,560	$ 8,809,530	$ 8,789,650
Work in progress	5,178,921	4,662,059	4,656,472
Inventory in transit	388,337	47,442	90,359
	$ 16,618,818	$ 13,519,031	$ 13,536,481

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Recognition (reversal) of inventory write-downs	$ (17,309)	$ 161,191	$ (29,309)	$ 81,908
Loss on disposal of inventories	14,889	20,250	19,731	29,661
Income from sales of scraps	(4,936)	(18,018)	(9,252)	(21,810)
Indemnity income	(8,025)	(5,091)	(19,144)	(12,780)

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

10. SUBSIDIARIES

Subsidiary included in consolidated financial statements:

		% of Ownership		
Investor	Investee	June 30, 2023	December 31, 2022	June 30, 2022
The Company	AIDC USA LLC (AIDC USA)	100	100	100
	Hsiang Yuan Co., Ltd. (HYCO)	100	100	-

For the main businesses of above-mentioned subsidiaries, refer to Table 5.

The subsidiaries included in consolidated financial statements are immaterial subsidiaries, the financial statements have been reviewed.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	June 30, 2023		December 31, 2022		June 30, 2022	
	Amount	% of Ownership	Amount	% of Ownership	Amount	% of Ownership
Investment in associate						
International Turbine Engine Company LLC (ITEC)	$ 1,045,078	22.05	$ 1,438,308	22.05	$ 1,275,094	22.05
Jung Sheng Precision IND Co., Ltd. (JSPCO)	5,249	25.64	2,309	27.78	5,952	27.78
	$ 1,050,327		$ 1,440,617		$ 1,281,046	

On March 13, 2023 and March 4, 2022, the board of directors of JSPCO approved the cash injection amounted to $15,000 thousand and $20,000 thousand, respectively, and the subscription date were March 25, 2023 and April 26, 2022, respectively. The Company did not participate in this subscription. Therefore, the Company's percentage of ownership interest in JSPCO decreased from 27.78% to 25.64% and 31.25% to 27.78%, respectively.

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 associates' financial statements which have not been reviewed.

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	-	-	-	196,884	6,616	9,336	178	213,014
Disposals	-	-	-	(23,017)	(320)	(2,950)	-	(26,287)
Reclassification	-	-	-	361,152	5,089	-	(623)	365,618
Effects of foreign currency exchange differences	83	-	332	3	-	3	-	421
Balance at June 30, 2023	$ 6,016	$ 119,436	$ 6,674,496	$ 16,439,574	$ 770,821	$ 943,108	$ 178	$ 24,953,629
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	-	369	83,958	441,770	9,765	30,297	-	566,159
Disposals	-	-	-	(23,017)	(320)	(2,950)	-	(26,287)
Effects of foreign currency exchange differences	-	-	10	3	-	3	-	16
Balance at June 30, 2023	$ -	$ 116,908	$ 3,628,999	$ 11,038,478	$ 719,528	$ 602,748	$ -	$ 16,106,661
Carrying amounts at January 1, 2023	$ 5,933	$ 2,897	$ 3,129,133	$ 5,284,830	$ 49,353	$ 361,321	$ 623	$ 8,834,090
Carrying amounts at June 30, 2023	$ 6,016	$ 2,528	$ 3,045,497	$ 5,401,096	$ 51,293	$ 340,360	$ 178	$ 8,846,968
Cost								
Balance at January 1, 2022	$ -	$ 121,860	$ 6,647,405	$ 15,614,213	$ 765,888	$ 919,027	$ -	$ 24,068,393
Additions	5,550	-	22,945	105,483	143	7,385	149	141,655
Disposals	-	-	-	(93,351)	(545)	(285)	-	(91,181)
Reclassification	-	-	-	45,094	-	-	-	45,094
Effects of foreign currency exchange differences	192	-	769	14	-	13	-	988
Balance at June 30, 2022	$ 5,742	$ 121,860	$ 6,671,119	$ 15,671,453	$ 765,486	$ 926,140	$ 149	$ 24,161,949

(Continued)

	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Property in Construction	Total
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	-	369	85,204	441,808	10,312	29,931	-	567,624
Disposals	-	-	-	(93,247)	(545)	(285)	-	(94,077)
Effects of foreign currency exchange differences	-	-	-	6	-	13	-	19
Balance at June 30, 2022	$ -	$ 118,594	$ 3,460,706	$ 10,289,812	$ 709,485	$ 550,362	$ -	$ 15,128,959
Carrying amounts at January 1, 2022	$ -	$ 3,635	$ 3,271,903	$ 5,672,968	$ 66,170	$ 398,324	$ -	$ 9,413,000
Carrying amounts at June 30, 2022	$ 5,742	$ 3,266	$ 3,210,413	$ 5,381,641	$ 56,001	$ 375,778	$ 149	$ 9,032,990

(Concluded)

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

	June 30, 2023	December 31, 2022	June 30, 2022
Carrying amounts			
Land	$ 1,539,428	$ 1,584,943	$ 1,636,144
Buildings	2,921	4,777	7,338
Machinery and equipment	743	2,522	4,300
Transportation equipment	1,328	1,764	1,539
Other equipment	1,183	2,854	4,399
	$ 1,545,603	$ 1,596,860	$ 1,653,720

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Additions to right-of-use assets	$ 585	$ 67	$ 7,940	$ 7,495
Depreciation charge for right-of-use assets				
Land	$ 26,818	$ 25,601	$ 52,825	$ 51,201
Buildings	1,220	1,434	2,429	2,898
Machinery and equipment	890	889	1,779	1,768
Transportation equipment	227	204	452	397
Other equipment	1,647	814	1,736	1,625
	$ 30,802	$ 28,942	$ 59,221	$ 57,889

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the six months ended June 30, 2023 and 2022.

b. Lease liabilities

	June 30, 2023	December 31, 2022	June 30, 2022
Carrying amounts			
Current	$ 104,516	$ 105,125	$ 106,270
Non-current	$ 1,493,045	$ 1,540,915	$ 1,591,948

Range of discount rate for lease liabilities was as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Land	1.6%-1.75%	1.6%	1.6%
Buildings	1.5%-5%	1.5%-2.5%	1.5%-5%
Machinery and equipment	1.5%-1.6%	1.5%-1.6%	1.5%-1.6%
Transportation equipment	1.99%-4.19%	1.99%-4.19%	1.99%-3.39%
Other equipment	1.6%	1.6%	1.6%

c. Material lease-in activities and terms

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

The Company negotiated with National Property Administration, Ministry of Finance (NPA) on rent concessions for land lease. The NPA agreed to provide unconditional 20% rent reduction from January 1, 2021 to December 31, 2022. The Company recognized rent concessions of NT$6,006 thousand and NT$12,012 thousand in profit or loss for the three months ended June 30, 2022 and for the six months ended June 30, 2022, respectively.

d. Other lease information

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Expenses relating to short-term leases	$ 25,487	$ 4,563	$ 38,428	$ 8,006
Expenses relating to low-value asset leases	$ 227	$ 245	$ 457	$ 430
Total cash outflow for leases	$ (76,038)	$ (42,529)	$ (95,634)	$ (49,759)

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

	June 30, 2023	December 31, 2022	June 30, 2022
Other intangible assets			
Computer software	$ 36,420	$ 39,639	$ 24,704
Deferred technical cooperation expenses	2,642	5,284	45,656
Patent	1,360	1,415	1,364
Trademark	76	88	100
	40,498	46,426	71,824
Intangible assets in development			
Non-recurring costs of projects	845,544	825,347	804,447
	$ 886,042	$ 871,773	$ 876,271

	Other Intangible Assets	Intangible Assets in Development
Cost		
Balance at January 1, 2023	$ 1,179,410	$ 7,145,246
Additions from internal developments	-	100,733
Additions	7,245	-
Disposals	(82,062)	(2,045)
Effects of foreign currency exchange differences	2	-
Balance at June 30, 2023	1,104,595	7,243,934

(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	13,173	80,536
Disposals	(82,062)	(2,045)
Effects of foreign currency exchange differences	2	-
Balance at June 30, 2023	1,064,097	6,398,390
Carrying amounts at June 30, 2023	$ 40,498	$ 845,544
Cost		
Balance at January 1, 2022	$ 1,151,985	$ 7,037,834
Additions from internal developments	-	48,753
Additions	2,470	-
Disposals	(1,511)	(32,390)
Effects of foreign currency exchange differences	8	-
Balance at June 30, 2022	1,152,952	7,054,197
Accumulated amortization and impairment		
Balance at January 1, 2022	1,059,940	6,223,304
Amortization expense	22,692	57,084
Disposals	(1,511)	(32,390)
Impairment loss	-	1,752
Effects of foreign currency exchange differences	7	-
Balance at June 30, 2022	1,081,128	6,249,750
Carrying amounts at June 30, 2022	$ 71,824	$ 804,447

(Concluded)

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 above expectation, the Group estimated that expected future cash flows from non-recurring costs of projects have decreased during the contract period. The Group 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 $1,752 thousand for the six months ended June 30, 2022. The Group 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 the estimated useful lives of the assets:

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 deposits held for the National Defense Industrial Development Foundation.

	June 30, 2023	December 31, 2022	June 30, 2022
Other financial assets - current	$ 1,240,566	$ 17,225	$ 14,898
Other financial assets - non-current	41,844	41,844	41,753
	$ 1,282,410	$ 59,069	$ 56,651
Rates of interest per annum (%)	0.18-4.8	0.18-1.5	0.18-1.065

16. OTHER ASSETS

	June 30, 2023	December 31, 2022	June 30, 2022
Current			
Prepayment	$ 873,804	$ 1,784,870	$ 1,939,793
Others	244,308	167,187	152,926
	$ 1,118,112	$ 1,952,057	$ 2,092,719
Non-current			
Overdue receivables (Note 8)	$ 11,895	$ 13,333	$ 13,296
Less: Allowance for impairment loss	(11,410)	(12,534)	(13,053)
	485	799	243
Refundable deposits	50,879	46,193	44,118
Others	28,868	30,855	32,427
	$ 80,232	$ 77,847	$ 76,788

17. BORROWINGS

a. Short-term borrowings

	June 30, 2023	December 31, 2022	June 30, 2022
Unsecured borrowings	$ 5,860,000	$ 1,500,000	$ 4,200,000
Rates of interest per annum (%)	1.47-1.558	1.45-1.585	0.80-0.93

b. Short-term bills payable

	June 30, 2023	December 31, 2022	June 30, 2022
Commercial paper	$ 7,450,000	$ 6,400,000	$ 2,600,000
Less: Unamortized discount on bills payable	(10,286)	(12,110)	(1,615)
	$ 7,439,714	$ 6,387,890	$ 2,598,385
Rates of interest per annum (%)	1.34-1.45	1.32-1.59	0.73-0.87

c. Long-term borrowings

	June 30, 2023	December 31, 2022	June 30, 2022
Credit borrowings	$ -	$ 1,800,000	$ 4,590,000
Rates of interest per annum (%)	-	1.58	0.83-0.87

18. BONDS PAYABLE

	June 30, 2023	December 31, 2022	June 30, 2022
Unsecured domestic bonds	$ 6,450,000	$ 6,450,000	$ 6,450,000
Less: Unamortized discount on bonds payable	(4,068)	(4,786)	(5,504)
	$ 6,445,932	$ 6,445,214	$ 6,444,496

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 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

	June 30, 2023	December 31, 2022	June 30, 2022
Payable for dividends	$ 1,017,216	$ -	$ 329,653
Payable for outsourcing	1,003,281	1,016,067	763,586
Payable for salaries and bonuses	935,970	1,315,652	791,424
Payable for annual leave	326,515	233,900	323,242
Payable for employees' compensation and remuneration of directors	187,820	103,461	82,202
Payable for service fee	90,481	88,272	82,945
Payable for purchase of equipment	54,162	190,217	71,255
Others	779,839	858,250	686,899
	$ 4,395,284	$ 3,805,819	$ 3,131,206

20. PROVISIONS - NON-CURRENT

	June 30, 2023	December 31, 2022	June 30, 2022
Warranties	$ 646,304	$ 523,782	$ 411,286
Others	6,638	6,638	49,684
	$ 652,942	$ 530,420	$ 460,970

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

Employee benefit expenses in respect of the Group's defined benefit retirement plans were calculated using the actuarially determined pension cost discount rate as of December 31, 2022 and 2021. Employee benefit expenses for the three months ended June 30, 2023 and 2022 were $90,399 thousand and $92,634 thousand and for the six months ended June 30, 2023 and 2022 were $180,797 thousand and $185,268 thousand, respectively.

22. EQUITY

a. Ordinary shares

	June 30, 2023	December 31, 2022	June 30, 2022
Number of shares authorized (in thousands)	1,500,000	1,500,000	1,500,000
Shares authorized	$ 15,000,000	$ 15,000,000	$ 15,000,000
Number of shares issued and fully paid (in thousands)	941,867	941,867	941,867
Shares issued	$ 9,418,671	$ 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 the actual appropriations, please refer to Note 24 (d).

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

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

Under Rule No. 1090150022 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse 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		
Reversal of special reserve	(153,820)	(118,836)		
Cash dividends	1,017,216	329,653	$ 1.08	$ 0.35

23. REVENUE

a. Sales

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Aircraft/Vehicle Maintenance	$ 5,913,751	$ 4,489,650	$ 11,048,589	$ 7,902,838
Aero/Industrial Engine	2,349,088	2,604,909	5,308,655	4,868,421
Industrial Technology Services	1,277,622	264,886	3,123,857	356,514
	$ 9,540,461	$ 7,359,445	$ 19,481,101	$ 13,127,773

b. Contract balances

	June 30, 2023	December 31, 2022	June 30, 2022	January 1, 2022
Contract assets				
Aircraft/vehicle maintenance	$ 1,035,572	$ 458,322	$ 409,684	$ 530,666
Others	2,563,763	1,062,657	195,297	-
	$ 3,599,335	$ 1,520,979	$ 604,981	$ 530,666
Contract liabilities				
Aircraft/vehicle maintenance	$ 19,526	$ 1,965,971	$ 16,926	$ 1,492,907
Others	30,177	189,928	24,540	23,628
	$ 49,703	$ 2,155,899	$ 41,466	$ 1,516,535

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.

	June 30, 2023	December 31, 2022	June 30, 2022	January 1, 2022
Expected credit loss rate	0%	0%	0%	0%
Gross carrying amount	$ 3,599,335	$ 1,520,979	$ 604,981	$ 530,666
Allowance for impairment loss (Lifetime ECLs)	-	-	-	-
	$ 3,599,335	$ 1,520,979	$ 604,981	$ 530,666

24. NET PROFIT

a. Other income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Subsidy income	$ 427	$ 34,484	$ 30,443	$ 42,561
Remedy income	13,427	925	14,838	1,494
Others	7,739	13,999	19,428	29,944
	$ 21,593	$ 49,408	$ 64,709	$ 73,999

b. Other gains and losses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Net foreign exchange gains (losses)	$ 94,534	$ 189,318	$ 62,455	$ 357,025
Impairment loss	-	(1,752)	-	(1,752)
Loss on disposal of property, plant and equipment	-	(86)	-	(104)
Others	(25,063)	(44,844)	(55,771)	(91,687)
	$ 69,471	$ 142,636	$ 6,684	$ 263,482

c. Employee benefits, depreciation and amortization

	Operating Cost	Operating Expense	Non-operating Expense	Transfer to Development Intangible Assets	Capital cost	Total
For the Three Months Ended June 30, 2023						
Employee benefits expense						
Salaries expense	$ 1,410,575	$ 169,872	$ -	$ 13,366	$ 233	$ 1,594,046
Retirement benefit						
Defined contribution plans	27,988	3,581	-	373	7	31,949
Defined benefit plans	79,187	10,136	-	1,058	18	90,399
Labor and health insurance	95,972	9,712	18,112	995	19	124,810
Other employee benefits	14,286	1,591	2,663	9	-	18,549
Depreciation expense	293,884	16,300	401	4,676	151	315,412
Amortization expense	57,001	1,541	-	327	1	58,870
For the Three Months Ended June 30, 2022						
Employee benefits expense						
Salaries expense	1,330,316	163,918	4,999	7,387	29	1,506,649
Retirement benefit						
Defined contribution plans	22,661	3,246	53	188	1	26,149
Defined benefit plans	80,276	11,500	188	667	3	92,634
Labor and health insurance	86,445	9,441	16,587	561	1	113,035
Other employee benefits	15,382	1,702	2,992	5	-	20,081
Depreciation expense	289,740	16,534	4,146	2,493	17	312,930
Amortization expense	45,168	2,867	8	733	-	48,776

(Continued)

	Operating Cost	Operating Expense	Non-operating Expense	Transfer to Development Intangible Assets	Capital cost	Total
For the Six Months Ended June 30, 2023						
Employee benefits expense						
Salaries expense	$ 2,943,048	$ 339,365	$ -	$ 28,267	$ 641	$ 3,311,321
Retirement benefit						
Defined contribution plans	56,202	7,231	-	820	20	64,273
Defined benefit plans	158,093	20,342	-	2,307	55	180,797
Labor and health insurance	194,228	19,292	36,406	2,153	50	252,129
Other employee benefits	28,675	3,393	5,311	19	1	37,399
Depreciation expense	582,069	31,033	802	11,044	432	625,380
Amortization expense	96,559	3,475	-	651	3	100,688
For the Six Months Ended June 30, 2022						
Employee benefits expense						
Salaries expense	2,589,840	327,490	8,660	13,162	33	2,939,185
Retirement benefit						
Defined contribution plans	45,185	6,636	105	332	1	52,259
Defined benefit plans	160,189	23,527	371	1,177	4	185,268
Labor and health insurance	168,366	18,480	34,258	993	2	222,099
Other employee benefits	24,193	2,951	4,860	9	-	32,013
Depreciation expense	578,356	33,105	8,771	5,263	18	625,513
Amortization expense	78,897	5,662	14	1,110	-	85,683

(Concluded)

Amortization expense of intangible assets is allocated to individual line item information was set out in Note 14.

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. For the three months ended June 30, 2023 and 2022, and for the six months ended June 30, 2023 and 2022, the compensation of employees and remuneration of directors were as follows:

	For the Six Months Ended June 30	
	2023	2022
The Proportion of Estimate		
Compensation of employees	4.65%	4.65%
Remuneration of directors	0.58%	0.58%

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Amount				
Compensation of employees	$ 43,583	$ 33,738	$ 75,004	$ 44,654
Remuneration of directors	5,436	4,209	9,355	5,570

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 accounting estimate.

The appropriations of compensation of employees and remuneration of directors for 2022 and 2021 that were resolved by the board of directors on March 27, 2023 and March 28, 2022, respectively, are as shown below:

	For the Year Ended December 31	
	2022	2021
Compensation of employees	$ 91,987	$ 28,432
Remuneration of directors	11,474	3,546

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 remuneration of directors resolved by the Company's board of directors are available at the Market Observation Post System website of the Taiwan Stock Exchange.

e. Gain or loss on foreign currency exchange

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Foreign exchange gains	$ 180,740	$ 303,345	$ 361,065	$ 481,401
Foreign exchange losses	(86,206)	(114,027)	(298,610)	(124,376)
Net gains	$ 94,534	$ 189,318	$ 62,455	$ 357,025

25. TAXES

a. Tax expense recognized in profit or loss

Major components of tax expense are as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Current tax				
In respect of the current period	$ 185,857	$ 88,955	$ 362,125	$ 103,237
Adjustments for prior years	(102)	805	(102)	805
Deferred tax				
In respect of the current period	23,128	47,398	5,651	79,276
Income tax expense recognized in profit or loss	$ 208,883	$ 137,158	$ 367,674	$ 183,318

The applicable tax rates used by a subsidiary in the United States on June 30, 2023 and 2022 were both 25.35%.

b. Income tax recognized in other comprehensive income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Deferred tax				
Exchange differences on translation of the financial statements of foreign operations	$ (16,764)	$ -	$ (19,376)	$ -

c. Income tax assessments

Income tax returns of the Company through 2020 have been examined and cleared by the tax authorities.

26. EARNINGS PER SHARE

Unit: NT$ Per share

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Basic earnings per share	$ 0.80	$ 0.63	$ 1.38	$ 0.85
Diluted earnings per share	$ 0.79	$ 0.63	$ 1.37	$ 0.85

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Profit for the period 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)	$ 753,722	$ 599,250	$1,297,389	$ 802,114

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Weighted average number of ordinary shares outstanding (in thousand shares)				
Weighted average number of ordinary shares in computation of basic earnings per share	941,867	941,867	941,867	941,867
Effect of potentially dilutive ordinary shares				
Employees' compensation issue to employees	1,250	1,043	2,306	1,847
Weighted average number of ordinary shares used in the computation of diluted earnings per share	943,117	942,910	944,173	943,714

(Concluded)

The Company may settle compensation or bonuses payable 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, are 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 and 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 considers the carrying amounts of financial assets and financial liabilities recognized in the consolidated 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	
June 30, 2023								
Financial assets at FVTOCI								
Investments in equity instruments								
Emerging market shares	$	19,965	$	-	$	-	$	19,965
Unlisted shares		-		-		28,652		28,652
	$	19,965	$	-	$	28,652	$	48,617
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
June 30, 2022								
Financial assets at FVTOCI								
Investments in equity instruments								
Emerging market shares	$	18,480	$	-	$	-	$	18,480
Unlisted shares		-		-		30,899		30,899
	$	18,480	$	-	$	30,899	$	49,379

There were no transfers between Level 1 and 2 in for the six months ended June 30, 2023 and 2022, respectively.

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

For the six months ended June 30, 2023

Financial Assets	Financial Assets at FVTOCI Equity Instruments	
Balance at January 1, 2023	$	29,568
Recognized in other comprehensive loss		(916)
Balance at June 30, 2023	$	28,652

For the six months ended June 30, 2022

Financial Assets	Financial Assets at FVTOCI Equity Instruments
Balance at January 1, 2022	$ 34,178
Recognized in other comprehensive loss	(3,279)
Balance at June 30, 2022	$ 30,899

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

	June 30, 2023	December 31, 2022	June 30, 2022
Financial assets			
Financial assets at amortized cost	$ 12,574,489	$ 12,002,252	$ 10,825,519
Financial assets at fair value through other comprehensive income - non-current	48,617	43,373	49,379
Financial liabilities			
Financial liabilities at amortized cost	26,657,062	20,218,219	21,985,040

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 payable for salaries and bonuses, payable for annual leave and payable for employee's compensation and remuneration of directors), bonds payable, other financial liabilities (accounted at other current liabilities), long-term borrowings (included not later than one year) and guarantee deposits.

d. Financial risk management objectives

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 receivables, short-term borrowings, short-term bills payable, trade payables, bonds payable 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.

   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 U.S. 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 $20,906 thousand and $27,399 thousand for the six months ended June 30, 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.

   Interest rate risk

   The Group's interest risk is evaluated in terms of short-term borrowings; short-term bills payable, bonds payable, long-term borrowings (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 six months ended June 30, 2023 and 2022 would decrease/increase by $2,500 thousand and $1,750 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 a 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 28%, 38% and 34% of the total trade receivables as of June 30, 2023, December 31, 2022 and June 30, 2022, respectively.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents 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 June 30, 2023, December 31, 2022 and June 30, 2022, the Group had available unutilized bank loan facilities as set out in (b) below.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following tables details the Group's remaining contractual maturities 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 includes 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**
June 30, 2023			
Non-interest bearing liabilities	$ 6,686,146	$ 225,269	$ -
Lease liabilities	129,491	446,503	1,433,401
Variable interest rate liabilities	2,000,000	-	-
Fixed interest rate liabilities	11,310,000	6,450,000	-
	$ 20,125,637	$ 7,121,772	$ 1,433,401
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

Non-derivative financial liabilities	Less than 1 Year	1 to 5 Year	More than 5 Year
June 30, 2022			
Non-interest bearing liabilities	$ 3,964,213	$ 187,945	$ -
Lease liabilities	121,011	486,547	1,517,314
Variable interest rate liabilities	1,400,000	-	-
Fixed interest rate liabilities	5,400,000	7,590,000	3,450,000
	$ 10,885,224	$ 8,264,492	$ 4,967,314

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)

	June 30, 2023	December 31, 2022	June 30, 2022
Unsecured bank loan facility:			
Amount unused	$ 18,151,091	$ 20,513,212	$ 15,422,364

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 Categories / Names

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

b. Sales of goods

	For the Three Months Ended June 30		For the Six Months Ended June 30	
Related Parties Name	2023	2022	2023	2022
ITEC	$ 348,861	$ 157,414	$ 967,816	$ 384,451
JSPCO	139	28	139	30
	$ 349,000	$ 157,442	$ 967,955	$ 384,481

The Group's sales prices to related party 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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
Related Parties Name	2023	2022	2023	2022
ITEC	$ 155,348	$ 75,584	$ 316,241	$ 164,117

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
Related Parties Name	2023	2022	2023	2022
JSPCO	$ 18,498	$ 14,660	$ 34,695	$ 34,230
ITEC	4,630	-	6,139	16,751
	$ 23,128	$ 14,660	$ 40,834	$ 50,981

e. Receivables from related parties

Related Parties Name	June 30, 2023	December 31, 2022	June 30, 2022
ITEC	$ 136,752	$ 337,587	$ 85,874
JSPCO	-	16	2
	$ 136,752	$ 337,603	$ 85,876

The outstanding trade receivables from related parties are unsecured. No impairment loss and expected credit loss were recognized on trade receivables from related parties.

f. Other current assets

Related Parties Name	June 30, 2023	December 31, 2022	June 30, 2022
ITEC	$ -	$ -	$ 3,316

g. Payables to related parties

Related Parties Name	June 30, 2023	December 31, 2022	June 30, 2022
ITEC	$ 33,451	$ 24,530	$ 14,314

The outstanding trade payables to related parties are unsecured.

h. Other payables

Related Parties Name	June 30, 2023	December 31, 2022	June 30, 2022
JSPCO	$ 2,954	$ 6,401	$ 13,357

i. Compensation of key management personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
Short-term benefits	$ 16,550	$ 10,553	$ 29,314	$ 19,745
Post-employment benefits	435	434	869	868
	$ 16,985	$ 10,987	$ 30,183	$ 20,613

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following other financial assets and property, plant and equipment were provided as collateral for obligation:

	June 30, 2023	December 31, 2022	June 30, 2022
Property, plant and equipment	$ 1,792,957	$ 1,829,621	$ 1,866,285
Other financial assets - current	4,377	4,338	4,155
Other financial assets - non-current	41,844	41,844	41,753
	$ 1,839,178	$ 1,875,803	$ 1,912,193

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

a. As of June 30, 2023, December 31, 2022 and June 30, 2022, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately $492,630 thousand, $1,237,627 thousand and $527,551 thousand, respectively

b. As of June 30, 2023, December 31, 2022 and June 30, 2022, unpaid contract for purchases of raw materials and machinery and equipment amounted to approximately $22,605,666 thousand, $27,894,241 thousand and $26,513,550 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. At that time, the Group signed a lease agreement with Taiwan Sugar Company and paid $39,121 thousand as compensation.

32. EXCHANGE RATE OF FINANCIAL 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 and the related exchange rates between foreign currencies and respective functional currencies were as follows:

	June 30, 2023			December 31, 2022		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets						
Monetary items						
USD	$ 170,553	31.14	$ 5,311,020	$ 163,051	30.71	$ 5,007,296
Non-monetary items						
USD	54,035	31.14	1,682,642	48,921	30.71	1,502,377
Financial liabilities						
Monetary items						
USD	36,281	31.14	1,129,790	10,828	30.71	332,528

	June 30, 2022		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 194,932	29.72	$ 5,793,379
Non-monetary items			
USD	45,219	29.72	1,343,909
Financial liabilities			
Monetary items			
USD	10,553	29.72	313,635

The significant unrealized foreign exchange gains (losses) were as follows:

	For the Six Months Ended June 30			
	2023		2022	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain	Exchange Rate	Net Foreign Exchange Loss
USD	31.14	$ 71,880	29.72	$ 163,999

	For the Three Months Ended June 30			
	2023		2022	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain	Exchange Rate	Net Foreign Exchange Loss
USD	31.14	$ 114,111	29.72	$ 24,563

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 or 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.

TABLE 1

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

MARKETABLE SECURITIES HELD
JUNE 30, 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	June 30, 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	$ 19,965	1.70%	$ 19,965
	AAI	The Company is a corporate director.	Financial assets at FVTOCI - non-current	4,968	26,384	13.09%	26,384
	Metro Ltd.	The Company is a corporate director.	Financial assets at FVTOCI - non-current	300	2,268	6%	2,268

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

TABLE 2

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 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
			Purchase (Sale)	Amount	% to Total	Collection Terms	Unit Price	Collection Terms	Ending Balance	% to Total	
The Company	ITEC	Associate	Sale Purchase	$ (950,370) 316,241	(5) 2	Note	Note	Note	$ 133,511 (33,451)	1 (1)	

Note: Information is provided in Note 29.

TABLE 3

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
JUNE 30, 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	$ 133,511	8.11	$ -	-	$ 93,397	$ -

TABLE 4

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 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	Purchase	$ 1,795	T/T 30 - 60 days	-
		AIDC USA	Parent company to subsidiary	Manufacturing expenses	13,777	T/T 30 - 60 days	-
		AIDC USA	Parent company to subsidiary	Operation expenses	12,999	T/T 30 - 60 days	-
		AIDC USA	Parent company to subsidiary	Other payables	11,633	T/T 30 - 60 days	-
		AIDC USA	Parent company to subsidiary	Accounts payable	648	T/T 30 - 60 days	-
		HYCO	Parent company to subsidiary	Operating revenue	7,682	T/T 30 - 60 days	-
		HYCO	Parent company to subsidiary	Manufacturing expenses	3,558	T/T 30 - 60 days	-
		HYCO	Parent company to subsidiary	Accounts receivables	1,223	T/T 30 - 60 days	-
		HYCO	Parent company to subsidiary	Accounts payables	808	T/T 30 - 60 days	-
		HYCO	Parent company to subsidiary	Other payables	770	T/T 30 - 60 days	-

Note: Transactions have been eliminated.

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

INFORMATION ON INVESTEES
FOR THE THREE MONTHS ENDED JUNE 30, 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 June 30, 2023			Net Income of the Investee	Share of Profits	Note
				June 30, 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	$ 1,682,642	$ 144,888	$ 155,649 (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	21,093	6,086	6,093 (Note)	Subsidiary
	JSPCO	Kaohsiung City, ROC	Design, maintain and manufacture of moulds, jigs, fixtures and mechanical parts	50,000	50,000	5,000,000	25.64	5,249	(2,941)	(710)	Associate
AIDC USA	ITEC	Delaware, USA	Development, production and remodel of aircraft	728	728	-	22.05	1,045.078	917,432	191,242	Associate

Note: The share of profits of subsidiary included the effect of unrealized gains or losses on intercompany transactions.

Table 6

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

INFORMATION OF MAJOR SHAREHOLDERS
JUNE 30, 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 June 30, 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.