DREWLOONG PRECISION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2023 AND 2022

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

DREWLOONG PRECISION, INC.

DECEMBER 31, 2023 AND 2022 CONSOLIDATED FINANCIAL STATEMENTS

AND INDEPENDENT AUDITORS' REPORT

TABLE OF CONTENTS

Contents	Page

Representation Letter

In connection with the Consolidated Financial Statements of Affiliated Enterprises of Drewloong Precision, Inc. (the “Consolidated FS of the Affiliates”), we represent to you that, the entities required to be included in the Consolidated FS of the Affiliates as of and for the year ended December 31, 2023 in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those required to be included in the Consolidated Financial Statements of Drewloong Precision, Inc. and its subsidiaries (the “Consolidated FS of the Group”) in accordance with International Financial Reporting Standard 10. Additionally, the information required to be disclosed in the Consolidated FS of Affiliates is disclosed in the Consolidated FS of the Group. Consequently, Drewloong Precision, Inc. does not prepare a separate set of Consolidated FS of Affiliates.

Very truly yours,
Drewloong Precision, Inc.
By

(Name of Chairman), Chairman
March 12, 2024

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Drewloong Precision, Inc.

PWCR2300631

Opinion

We have audited the accompanying consolidated balance sheets of Drewloong Precision, Inc. and subsidiary (the "Group") as at December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's 2023 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2022 consolidated financial statements are stated as follows:

Assessment of allowance for inventory valuation loss

Description

The inventories of the Group as at December 31, 2023 amounted to NT$413,086 thousand (net of allowance for inventory valuation loss amounting to NT$49,803 thousand). Please refer to Note 4(11) for accounting policies on evaluation of inventories, Note 5 for accounting estimates and assumption uncertainty of evaluation of inventories and Note 6(4) for details of inventories.

The Group is primarily engaged in the manufacturing, processing and trading of aerospace parts and special tools. Inventories are stated at the lower of cost and net realisable value. Given that the amount and items of the inventories are significant and numerous and the net realisable value used in the valuation of inventories individually identified as obsolete or damaged usually involves subjective judgement and contains a high degree of estimates uncertainty, we consider the assessment of allowance for inventory valuation loss a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Assessed the reasonableness of the assessment method of allowance for inventory valuation loss, including the reasonableness of the inventory clearance and the determination of obsolete inventory items as well as the consistency of accounting estimates method, based on our understanding on the industry and product characteristics of the Group.

2. Obtained the aging reports of inventories and reports of obsolete or damaged inventories, sampled the inventory item numbers and verified with the record of inventory transaction to ascertain the classification of age ranges of inventories and obsolete or damaged inventories was correct.
3. Verified the supporting documents of the net realisable value, ascertained the reasonableness of the net realisable value and recalculated and assessed the reasonableness of the provision of allowance for inventory valuation loss.

Other matter – Parent company only financial statements

We have audited and expressed an unqualified opinion on the parent company only financial statements of Drewloong Precision, Inc. as at and for the years ended December 31, 2023 and 2022.

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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, 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 the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and 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 auditor's 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 auditor's 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 appropriate audit evidence regarding the financial information of the 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 of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

Wang, Chun-Kai	Liao, A-Shen

For and on behalf of PricewaterhouseCoopers, Taiwan

March 12, 2024

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

DREWLOONG PRECISION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2023 AMOUNT	%	December 31, 2022 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 429,595	18	$ 452,720	21
1136	Current financial assets at amortised cost, net	6(2)	506,684	21	326,980	15
1140	Current contract assets	6(13)	37,808	2	22,796	1
1170	Accounts receivable, net	6(3)	214,391	9	187,796	9
1200	Other receivables		4,065	-	1,816	-
130X	Inventories	6(4)	413,086	17	385,174	18
1410	Prepayments		14,721	1	16,811	1
11XX	**Current Assets**		1,620,350	68	1,394,093	65
	Non-current assets					
1535	Non-current financial assets at amortised cost, net	6(2) and 8	77,785	3	73,952	3
1600	Property, plant and equipment	6(5)(9)	353,327	15	344,675	16
1755	Right-of-use assets	6(6)	284,319	12	296,366	14
1780	Intangible assets	6(7)(9)	11,084	1	15,464	1
1840	Deferred income tax assets	6(19)	11,447	1	10,262	1
1915	Prepayments for business facilities		943	-	5,366	-
1920	Guarantee deposits paid		6,255	-	4,194	-
1990	Other non-current assets, others		186	-	-	-
15XX	**Non-current assets**		745,346	32	750,279	35
1XXX	**Total assets**		$ 2,365,696	100	$ 2,144,372	100

(Continued)

DREWLOONG PRECISION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2023 AMOUNT	%	December 31, 2022 AMOUNT	%
	Current liabilities					
2150	Notes payable		$ -	-	$ 960	-
2170	Accounts payable		10,145	1	11,754	1
2200	Other payables	6(8)	122,328	5	85,753	4
2230	Current income tax liabilities		70,534	3	43,876	2
2250	Provisions for liabilities - current		65	-	167	-
2280	Current lease liabilities	6(6)	5,885	-	5,959	-
2399	Other current liabilities, others		3,871	-	8,938	1
21XX	**Current Liabilities**		212,828	9	157,407	8
	Non-current liabilities					
2570	Deferred income tax liabilities	6(19)	1,518	-	3,515	-
2580	Non-current lease liabilities	6(6)	194,963	8	199,554	9
2630	Long-term deferred revenue	6(5)(7)(9)	63,171	3	57,511	3
2640	Accrued pension liabilities	6(18)	2,312	-	2,111	-
2645	Guarantee deposits received		600	-	600	-
25XX	**Non-current liabilities**		262,564	11	263,291	12
2XXX	**Total Liabilities**		475,392	20	420,698	20
	Equity attributable to owners of parent					
	Share capital	6(10)(11)				
3110	Share capital - common stock		390,000	16	358,000	17
	Capital surplus	6(11)				
3200	Capital surplus		-	-	80,600	4
	Retained earnings	6(12)				
3310	Legal reserve		154,221	7	135,864	6
3350	Unappropriated retained earnings		1,346,083	57	1,149,210	53
3XXX	**Total equity**		1,890,304	80	1,723,674	80
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant subsequent events	11				
3X2X	**Total liabilities and equity**		$ 2,365,696	100	$ 2,144,372	100

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

DREWLOONG PRECISION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

			Year ended December 31						
			2023			2022			
	Items	Notes		AMOUNT	%		AMOUNT		%
4000	Sales revenue	6(13)	$	832,658	100	$	636,810		100
5000	Operating costs	6(4)(5)(7)(17)(18)	(	435,026)	(52)	(	350,876)	(	55)
5900	Gross profit			397,632	48		285,934		45
	Operating expenses	6(5)(7)(17)(18)							
6100	Selling expenses		(	15,286)	(2)	(	13,566)	(	2)
6200	General and administrative expenses		(	59,469)	(7)	(	45,489)	(	7)
6300	Research and development expenses	6(9)	(	44,531)	(5)	(	29,271)	(	5)
6450	Impairment gain (loss) determined in accordance with IFRS 9	12(2)		9,670	1	(	13,340)	(	2)
6000	Total operating expenses		(	109,616)	(13)	(	101,666)	(	16)
6900	Operating profit			288,016	35		184,268		29
	Non-operating income and expenses								
7100	Interest income	6(14)		22,586	3		8,638		1
7010	Other income	6(9)		5,209	-		4,179		1
7020	Other gains and losses	6(15)		389	-		31,123		5
7050	Finance costs	6(6)(16)	(	2,535)	-	(	2,055)		-
7000	Total non-operating income and expenses			25,649	3		41,885		7
7900	**Profit before income tax**			313,665	38		226,153		36
7950	Income tax expense	6(19)	(	71,635)	(9)	(	42,583)	(	7)
8200	**Profit for the year**		$	242,030	29	$	183,570		29
8500	**Total comprehensive income for the year**		$	242,030	29	$	183,570		29
	Profit, attributable to:								
8610	Owners of the parent		$	242,030	29	$	183,570		29
	Comprehensive income attributable to:								
8710	Owners of the parent		$	242,030	29	$	183,570		29
	Basic earnings per share	6(20)							
9750	Basic earnings per share		$		6.21	$			4.71
9850	Diluted earnings per share		$		6.20	$			4.70

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

DREWLOONG PRECISION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent				
				Retained Earnings		
	Notes	Common stock	Capital surplus, additional paid-in capital	Legal reserve	Unappropriated retained earnings	Total equity
2022						
Balance at January 1, 2022		$ 358,000	$ 252,440	$ 130,490	$ 978,174	$ 1,719,104
Profit for the year		-	-	-	183,570	183,570
Total comprehensive income		-	-	-	183,570	183,570
Appropriation and distribution of 2021 retained earnings:						
Legal reserve		-	-	5,374	(5,374)	-
Cash dividends	6(12)	-	-	-	(7,160)	(7,160)
Cash dividends from capital surplus	6(11)	-	(171,840)	-	-	(171,840)
Balance at December 31, 2022		$ 358,000	$ 80,600	$ 135,864	$ 1,149,210	$ 1,723,674
Year 2023						
Balance at January 1, 2023		$ 358,000	$ 80,600	$ 135,864	$ 1,149,210	$ 1,723,674
Profit for the year		-	-	-	242,030	242,030
Total comprehensive income		-	-	-	242,030	242,030
Appropriation and distribution of 2022 retained earnings:						
Legal reserve		-	-	18,357	(18,357)	-
Cash dividends	6(12)	-	-	-	(26,800)	(26,800)
Cash dividends distributed from capital surplus	6(11)	-	(48,600)	-	-	(48,600)
Stock dividends distributed from capital surplus	6(10)(11)	32,000	(32,000)	-	-	-
Balance at December 31, 2023		$ 390,000	$ -	$ 154,221	$ 1,346,083	$ 1,890,304

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

DREWLOONG PRECISION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 313,665	$ 226,153
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(5)(6)(9)(17)	63,391	60,491
Amortization expense	6(7)(9)(17)	4,671	3,556
Expected credit (gain) loss	12(2)	(9,670)	13,340
Amortization on long-term deferred revenue	6(5)(7)(9)	(42,229)	(49,594)
Property, plant and equipment transferred to expenses		-	105
Interest expense	6(16)	2,535	2,055
Interest income	6(14)	(22,586)	(8,638)
Changes in operating assets and liabilities			
Changes in operating assets			
Current contract assets		(15,012)	6,392
Notes receivable		-	22
Accounts receivable		(16,925)	(102,469)
Other receivable		(2,249)	(902)
Inventories		(27,912)	(99,639)
Prepayments		2,090	53,995
Changes in operating liabilities			
Notes payable		(960)	960
Accounts payable		(1,609)	6,365
Other payable		24,843	24,463
Provisions for liabilities - current		(102)	166
Other current liabilities, others		(5,067)	7,797
Long-term deferred revenue	6(9)	47,889	48,661
Accrued pension liabilities		201	193
Cash inflow generated from operations		314,964	193,472
Interest received		22,586	8,638
Interest paid		(2,535)	(2,055)
Income taxes paid		(48,159)	(5,314)
Net cash flows from operating activities		286,856	194,741
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at amortised cost		(528,226)	(374,426)
Proceeds from disposal of financial assets at amortised cost		344,689	577,269
Acquisition of property, plant and equipment	6(21)	(38,853)	(18,193)
Acquisition of intangible assets	6(7)	(291)	(10,280)
Increase in prepayments for business facilities		(2,114)	(5,223)
Increase in guarantee deposits paid		(2,061)	(321)
(Increase) decrease in other non-current assets -others		(186)	34
Net cash flows (used in) from investing activities		(227,042)	168,860
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of lease liabilities	6(22)	(7,539)	(88,317)
Cash dividends paid	6(11)(12)	(75,400)	(179,000)
Net cash flows used in financing activities		(82,939)	(267,317)
Net (decrease) increase in cash and cash equivalents		(23,125)	96,284
Cash and cash equivalents at beginning of year	6(1)	452,720	356,436
Cash and cash equivalents at end of year	6(1)	$ 429,595	$ 452,720

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

DREWLOONG PRECISION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organization

(1) DREWLOONG PRECISION, INC. (the "Company") was incorporated under the provisions of the Company Act of the Republic of China (R.O.C.) in August 1990. The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in the manufacturing, processing and trading of aerospace parts and special tools.

(2) The Company's shares have been listed on the Taiwan Stock Exchange starting from September 10, 2019.

2. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

These consolidated financial statements were authorised for issuance by the Board of Directors on March 12, 2024.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards("IFRS®") Accounting Standards that came into effect as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023
Amendments to IAS 12, 'International tax reform - pillar two model rules'	May 23, 2023

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(2) Effect of new issuances of or amendments to IFRS Accounting Standards as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC and will become effective from 2024 are as follows:

New Standards, Interpretations and Amendments	International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
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

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(3) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRS Accounting Standards as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 21, 'Lack of exchangeability'	January 1, 2025

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. The consolidated financial statements have been prepared under the historical cost convention.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership(%) December 31, 2023	Ownership(%) December 31, 2022	Description
DREWLOONG PRECISION, INC.	DREWLOONG TECHNOLOGIES, INC.	The manufacturing, processing and trading of aerospace parts and	100	100	-

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) All other foreign exchange gain and losses based on the nature of those transactions are presented in the statement of comprehensive income within other gains and losses.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at amortised cost

A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Group's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(8) Accounts receivable

A. Accounts receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(11) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value 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.

(12) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	3 ~ 51 years
Machinery and equipment	2 ~ 20 years
Transportation equipment	3 ~ 7 years
Computer and telecommunication equipment	3 ~ 7 years
Molding equipment	3 years
Office equipment	4 ~ 7 years
Other equipment	3 ~ 16 years

The significant components of buildings and structures are plants, which are depreciated over 36 and 51 years. Main machinery and equipment are depreciated over 8 and 20 years.

(13) Leasing arrangements (lessee)－right-of-use assets/ lease liabilities

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

(a) Fixed payments, less any lease incentives receivable; and

(b) Variable lease payments that depend on an index or a rate.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date; and

(c) Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(14) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 2 to 5 years.

(15) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(16) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(17) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(18) Provisions

Provisions (including warranties, decommissioning, restructuring, onerous contracts, and contingent liabilities from business combinations, etc.) are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(19) Grants

Grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate and deducted in reporting the related expense. Grants related to property, plant and equipment and intangible assets are recognised as non-current liabilities and are amortised to profit or loss over the estimated useful lives of the related assets as reduced depreciation and amortisation expenses.

(20) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

For defined contribution plans, a certain percentage of the employees' monthly salaries and wages is contributed monthly to the employee retirement fund. The Group recognised the contributions as pension expense when they are due on an accrual basis.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(21) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheets. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

(22) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(23) Revenue recognition

The Group is primarily engaged in the processing, manufacturing and trading of aircraft and its parts. Details of the revenue recognition are as follows:

A. Contract for sales of goods

Sales are recognised when control of the products has transferred according to the agreed conditions, being when the products are delivered to the customer, the customer has full discretion over the use of the products, and there is no unfulfilled obligation. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. Service contract

Revenue from providing services is recognised in the accounting period in which the services are rendered based on the stage of completion. The stage of completion of a service contract is measured by the proportion of contract costs incurred for procedures completed as of the balance sheet date to the total costs for the service contract. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

(24) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. The estimates are assessed based on current market conditions and historical sales experience of similar products and changes in market conditions may significantly affect the results of the estimates.

As of December 31, 2023, the carrying amount of inventories was $413,086.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand	$ 330	$ 411
Checking accounts and demand deposits	137,169	143,613
Time deposits	292,096	308,696
	$ 429,595	$ 452,720

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group has no cash and cash equivalents pledged to others.

(2) Financial assets at amortised cost

Items	December 31, 2023	December 31, 2022
Current items:		
Time deposits maturing in excess of three months	$ 506,684	$ 326,980
Non-current items:		
Restricted deposit	$ 77,785	$ 73,952

A. Interest income of time deposits was recognised in interest income from bank deposits. Please refer to Note 6(14).

B. As at December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was $584,469 and $400,932, respectively.

C. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

D. The counterparties of the Group's investments in certificates of deposit are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

(3) Accounts receivable

	December 31, 2023	December 31, 2022
Accounts receivable	$ 218,616	$ 201,691
Less: Allowance for doubtful accounts	(4,225)	(13,895)
	$ 214,391	$ 187,796

A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2023	December 31, 2022
Not past due	$ 191,291	$ 172,444
Up to 30 days	19,698	8,569
31 to 90 days	3,804	6,677
91 to 180 days	3,721	12,144
181 to 365 days	102	1,857
Over 365 days	-	-
	$ 218,616	$ 201,691

The above ageing analysis was based on past due date.

B. As of December 31, 2023 and 2022, accounts receivable were all from contracts with customers. And as of January 1, 2022, the balance of receivables from contracts with customers amounted to $99,244.

C. As at December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable was $214,391 and $187,796, respectively.

D. Information relating to credit risk of accounts receivable is provided in Note 12(2).

E. The Company has no accounts receivable pledged to others.

(4) Inventories

	December 31, 2023		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 106,161	($ 11,812)	$ 94,349
Work in progress	154,856	(4,908)	149,948
Finished goods	201,830	(33,083)	168,747
Inventory in transit	42	-	42
	$ 462,889	($ 49,803)	$ 413,086

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 135,857	($ 9,600)	$ 126,257
Work in progress	105,776	(2,653)	103,123
Finished goods	186,458	(33,539)	152,919
Inventory in transit	2,875	-	2,875
	$ 430,966	($ 45,792)	$ 385,174

The cost of inventories recognised as expense for the year:

	Year ended December 31	
	2023	2022
Cost of goods sold	$ 456,125	$ 357,958
Loss on decline in market value	4,011	4,053
Others	(25,110)	(11,135)
	$ 435,026	$ 350,876

(5) Property, plant and equipment

	2023								
	Buildings and structures	Machinery and equipment	Transportation equipment	Computer and telecommunication equipment	Molding equipment	Office equipment	Other equipment	Unfinished construction and equipment under acceptance	Total
At January 1									
Cost	$ 277,230	$ 581,349	$ 3,766	$ 27,104	$ 3,082	$ 11,057	$ 50,804	$ 3,743	$ 958,135
Accumulated depreciation and impairment	(102,597)	(419,124)	(3,766)	(24,920)	(3,082)	(11,057)	(48,914)	-	(613,460)
	$ 174,633	$ 162,225	$ -	$ 2,184	$ -	$ -	$ 1,890	$ 3,743	$ 344,675
Opening net book amount as at January 1	$ 174,633	$ 162,225	$ -	$ 2,184	$ -	$ -	$ 1,890	$ 3,743	$ 344,675
Additions	-	7,931	-	-	-	-	1,370	41,284	50,585
Transfers	-	4,488	-	577	-	-	1,290	182	6,537
Depreciation charge	(10,308)	(35,722)	-	(715)	-	-	(1,725)	-	(48,470)
Closing net book amount as at December 31	$ 164,325	$ 138,922	$ -	$ 2,046	$ -	$ -	$ 2,825	$ 45,209	$ 353,327
At December 31									
Cost	$ 277,230	$ 593,768	$ 3,766	$ 27,681	$ 3,082	$ 11,057	$ 53,464	$ 45,209	$ 1,015,257
Accumulated depreciation and impairment	(112,905)	(454,846)	(3,766)	(25,635)	(3,082)	(11,057)	(50,639)	-	(661,930)
	$ 164,325	$ 138,922	$ -	$ 2,046	$ -	$ -	$ 2,825	$ 45,209	$ 353,327

	2022								
	Buildings and structures	Machinery and equipment	Transportation equipment	Computer and telecommunication equipment	Molding equipment	Office equipment	Other equipment	Unfinished construction and equipment under acceptance	Total
At January 1									
Cost	$ 274,781	$ 566,143	$ 3,766	$ 25,073	$ 3,082	$ 11,057	$ 50,651	$ 9,366	$ 943,919
Accumulated depreciation and impairment	(91,981)	(383,662)	(3,686)	(23,982)	(3,082)	(10,933)	(46,398)	-	(563,724)
	$ 182,800	$ 182,481	$ 80	$ 1,091	$ -	$ 124	$ 4,253	$ 9,366	$ 380,195
Opening net book amount as at January 1	$ 182,800	$ 182,481	$ 80	$ 1,091	$ -	$ 124	$ 4,253	$ 9,366	$ 380,195
Additions	2,449	5,850	-	2,069	-	-	153	3,743	14,264
Disposals - cost	-	-	-	(38)	-	-	-	-	(38)
Transfers	-	9,356	-	-	-	-	-	(9,366)	(10)
Depreciation charge	(10,616)	(35,462)	(80)	(976)	-	(124)	(2,516)	-	(49,774)
Disposals - accumulated depreciation	-	-	-	38	-	-	-	-	38
Closing net book amount as at December 31	$ 174,633	$ 162,225	$ -	$ 2,184	$ -	$ -	$ 1,890	$ 3,743	$ 344,675
At December 31									
Cost	$ 277,230	$ 581,349	$ 3,766	$ 27,104	$ 3,082	$ 11,057	$ 50,804	$ 3,743	$ 958,135
Accumulated depreciation and impairment	(102,597)	(419,124)	(3,766)	(24,920)	(3,082)	(11,057)	(48,914)	-	(613,460)
	$ 174,633	$ 162,225	$ -	$ 2,184	$ -	$ -	$ 1,890	$ 3,743	$ 344,675

A. Details of depreciation on property, plant and equipment are as follows:

	Year ended December 31	
	2023	2022
Operating costs	$ 32,036	$ 36,242
Operating expenses	16,434	13,532
	48,470	49,774
Deduction of revenue from project cooperation (Note)	(22,954)	(25,692)
	$ 25,516	$ 24,082

Note: Revenue from project cooperation pertained to purchase price of equipment and was averagely recognised as decrease in depreciation expense over the estimated useful life of the equipment. Please refer to Note 6(9) for details.

B. The Group had no borrowing costs capitalised as part of property, plant and equipment for the years ended December 31, 2023 and 2022.

C. The significant components of buildings and structures include main buildings and their appurtenant works. Main buildings are depreciated over 36 and 51 years; and appurtenant works are depreciated over 11 and 16 years.

D. Property, plant and equipment of the Group were not available for lease.

E. The Group has no property, plant and equipment pledged to others.

(6) Leasing arrangements－lessee

A. The Group leases various assets including land and business vehicles. Rental contracts are typically made for periods of 4 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes. The payments of relating royalties and rents for the land that the Group leased from TAIWAN SUGAR CORPORATION are summarised below:

Leased object	Period	Rent and royalty
Land in Shande Sec., Renwu County	1999.11~2049.11, 50 years	Notes 1 and 2
Land in Shande Sec., Renwu County	2002.11~2032.11, 30 years	Notes 1 and 2
Land in Shande Sec., Renwu County	1999.12~2049.12, 50 years	Notes 1 and 2
Land in Zhuyuan Sec., Renwu County	2018.03~2028.03, 10 years	Notes 3 and 4
Land in Zhuyuan Sec., Renwu County	2018.06~2028.06, 10 years	Notes 3 and 5
Land in Renxin sec., Renwu County	2022.06~2042.06 20 years	Notes 3 and 6

Note 1: Rents are calculated at the annual interest of 10% based on the declared land value for the year.

Note 2: The royalties of the lease contract are paid every 20 years. The first royalties were paid at four times of the rents in the first year and others shall be paid based on relating regulations at that time.

Note 3: Fixed rents are adjusted every 5 years according to the annual growth rate of the consumer price index for rent announced by the government in the previous 5 years (negative numbers will not be adjusted). In addition, variable rents are calculated based on 1% of the total declared land value for the year but based on 5.5% of the total declared land value for the year if land value tax is changed to be levied based on the general land tax rate.

Note 4: The royalties of the lease contract amounting to $7,414 were paid in lump sum.

Note 5: The royalties of the lease contract amounting to $7,727 were paid in lump sum.

Note 6: The royalties of the lease contract amounting to $79,022 were paid in lump sum.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2022	December 31, 2021
	Carrying amount	Carrying amount
Land	$ 282,413	$ 292,409
Transportation equipment (Business vehicles)	1,906	3,957
	$ 284,319	$ 296,366

	Year ended December 31	
	2022	2021
	Depreciation charge	Depreciation charge
Land	$ 12,870	$ 8,422
Transportation equipment (Business vehicles)	2,051	2,295
	$ 14,921	$ 10,717

C. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets were $0 and $178,212, respectively. For the years ended December 31, 2023 and 2022, adjustments to rights-of-use assets and lease liabilities due to lease modifications were $2,874 and $67, respectively.

D. Lease liabilities of the Group are as follows:

	December 31, 2022	December 31, 2021
Current	$ 5,885	$ 5,959
Non-current	194,963	199,554
	$ 200,848	$ 205,513

E. The information on profit and loss accounts relating to lease contracts is as follows:

	Year ended December 31 2023		31, 2022	
Items affecting profit or loss				
Interest expense on lease liabilities	$	2,535	$	2,055
Expense on short-term lease contracts		1		1
Expense on leases of low-value assets		244		244
	$	2,780	$	2,300

F. For the years ended December 31, 2022 and 2021, the Group's total cash outflow for leases were $10,319 and $90,617, respectively.

G. Variable lease payments

The Group remeasures the lease liability to reflect those revised lease payments when there is a change in future lease payments and the cash flows resulting from a change in an index or a rate used to determine those payments.

H. Extension options

(a) In determining the lease term, the Group takes into consideration all facts and circumstances that create an economic incentive to exercise an extension option. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

(b) Based on the assessment on whether to exercise the extension option, there was no increase in the right-of-use assets and lease liabilities recognised as at December 31, 2023 and 2022.

(7) Intangible assets

	2023					
Cost	At January 1		Additions		At December 31	
Computer software	$	43,985	$	291	$	44,276
Accumulated amortisation						
Computer software	(	28,521)	(	4,671)	(	33,192)
	$	15,464	($	4,380)	$	11,084

	2022					
Cost	At January 1		Additions		At December 31	
Computer software	$	33,705	$	10,280	$	43,985
Accumulated amortisation						
Computer software	(	24,965)	(	3,556)	(	28,521)
	$	8,740	$	6,724	$	15,464

A. Details of amortisation on intangible assets are as follows:

	Year ended December 31	
	2023	2022
Operating costs	$ 1,574	$ 1,951
Operating expenses	3,097	1,605
	4,671	3,556
Deduction of revenue from project cooperation (Note)	(4,091)	(2,689)
	$ 580	$ 867

Note: Revenue from project cooperation pertained to purchase price of computer software and was averagely recognised as decrease in amortisation expense over the estimated useful life of the software. Please refer to Note 6(9) for details.

B. The Group did not have intangible assets pledged to others as collaterals

(8) Other payables

	December 31, 2022	December 31, 2021
Wages and salaries payable	$ 43,580	$ 36,169
Payable on employees' compensation and directors' and supervisors' remuneration	23,673	18,529
Payable on machinery and equipment	14,233	2,501
Others	40,842	28,554
	$ 122,328	$ 85,753

(9) Long-term deferred revenue

The Group recognised revenue from project cooperation obtained as long-term deferred revenue. The movements for the year are as follows:

	Year ended December 31	
	2022	2021
At January 1	$ 57,511	$ 58,444
Additions	47,889	48,661
Amortisations	(42,229)	(49,594)
At December 31	$ 63,171	$ 57,511

Details of amortisation on deferred revenue are as follows:

	Year ended December 31			
	2022		2021	
Deduction item to depreciation charges	$	22,954	$	25,692
Deduction item to amortisation charges on				
intangible assets				
Deduction item to research and development		4,091		2,689
expenses		11,785		18,098
Other revenue		3,399		3,115
	$	42,229	$	49,594

A. Revenue from project cooperation is recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the revenue is intended to compensate and deducted in reporting the related expense. Revenue from project cooperation related to property, plant and equipment or intangible assets is amortised to profit or loss over the estimated useful lives of the related assets as reduced depreciation or amortisation expenses.

B. For the years ended December 31, 2023 and 2022, machinery and equipment and intangible assets purchased with revenue from project cooperation were $4,863 and $24,082, respectively.

(10) Share capital

A. As of December 31, 2023, the Company's authorised capital was $600,000, consisting of 60,000 thousand shares of ordinary stock, and the paid-in capital was $390,000 with a par value of NT$10 (in dollars) per share.

B. Movements in the number of the Company's ordinary shares outstanding are as follows:

Unit: share in thousands

	2023		2022	
At January 1 and	$	35,800	$	35,800
Capitalisation of capital surplus		3,200		-
At December 31	$	39,000	$	35,800

C. On June 27, 2023, the Company's shareholders at their meeting resolved to issue new shares through the capitalisation of capital surplus. Refer to Note 6 (12) for details.

(11) Capital surplus

A. Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

B. The Company's distribution of cash from capital surplus amounting to $171,840 at NT$4.8 (in dollars) per share had been resolved at the shareholders' meeting on June 15, 2022.

C. The Company's distribution of cash from capital surplus amounting to $48,600 at NT$1.36 (in dollars) per share had been proposed by the Board of Directors on June 27, 2023.

D. On June 27, 2023, the Company's shareholders at their meeting resolved to issue 3,200 thousand new shares through the capitalisation of capital surplus amounting to $32,000 with the effective date set on August 30, 2023, and the registration has been completed.

(12) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the paid-in capital. In addition, after setting aside or reversing special reserve according to the regulations, the remainder along with the beginning unappropriated earnings comprise the accumulated distributable earnings which shall be proposed by the Board of Directors and submitted to the shareholders for resolution.

The Company's dividend policy is in line with the current and future development plans, considers the investment environment, capital needs and domestic and foreign competition conditions and takes into account shareholders' benefits. At least 10% of the additional distributable earnings of the current year shall be appropriated as dividends, dividends can be distributed in the form of cash or shares and cash dividends shall account for at least 10% of the total dividends distributed.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

C. The Company recognised cash dividends distributed to owners amounting to $26,800 (NT$0.75 (in dollars) per share) and $7,160 (NT$0.2 (in dollars) per share) for the years ended December 31, 2023 and 2022, respectively. On June 27, 2023, the Board of Directors proposed that total cash dividends for the distribution of earnings for the year of 2023 was $195,000 at NT$5 (in dollars) per share.

(13) Operating revenue

A. The Group derives revenue from the transfer of goods and services over time and at a point in time in the following contracts with customers:

Year ended December 31, 2023	Contract for sales of goods	Contract for processing of goods	Other service contract	Total
Total segment revenue				
(revenue from external customer contracts)	$ 577,257	$ 254,112	$ 1,289	$ 832,658
Timing of revenue recognition				
At a point in time	$ 577,257	$ -	$ -	$ 577,257
Over time	-	254,112	1,289	255,401
	$ 577,257	$ 254,112	$ 1,289	$ 832,658

Year ended December 31, 2022	Contract for sales of goods	Contract for processing of goods	Other service contract	Total
Total segment revenue				
(revenue from external customer contracts)	$ 445,903	$ 189,349	$ 1,558	$ 636,810
Timing of revenue recognition				
At a point in time	$ 445,903	$ -	$ -	$ 445,903
Over time	-	189,349	1,558	190,907
	$ 445,903	$ 189,349	$ 1,558	$ 636,810

B. Contract assets and liabilities

The Group has recognised the following revenue-related contract assets:

	December 31, 2023	December 31, 2022	January 1, 2022
Contract assets:			
Contract for processing of goods	$ 37,808	$ 22,796	$ 29,188

(14) Interest income

	Year ended December 31	
	2023	2022
Interest income from financial assets measured at amortised cost	$ 17,172	$ 4,809
Interest income from bank deposits	5,362	3,803
Other interest income	52	26
	$ 22,586	$ 8,638

(15) Other gains and losses

	Year ended December 31	
	2023	2022
Net foreign exchange gains	$ 2,012	$ 31,823
Other losses	(1,623)	(700)
	$ 389	$ 31,123

(16) Finance costs

	Year ended December 31	
	2023	2022
Lease liabilities	$ 2,535	$ 2,055

(17) Expenses by nature

	Year ended December 31, 2023		
	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expense	$ 173,350	$ 78,538	$ 251,888
Depreciation charges on property, plant and equipment	32,036	16,434	48,470
Depreciation charges on right-of-use assets	4,119	10,802	14,921
Amortisation charges on intangible assets	1,574	3,097	4,671
	$ 211,079	$ 108,871	$ 319,950

	Year ended December 31, 2022		
	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expense	$ 120,363	$ 67,676	$ 188,039
Depreciation charges on property, plant and equipment	36,242	13,532	49,774
Depreciation charges on right-of-use assets	4,049	6,668	10,717
Amortisation charges on intangible assets	1,951	1,605	3,556
	$ 162,605	$ 89,481	$ 252,086

Please refer to Notes 6(5), 6(6) and 6(7) for details of depreciation charges on property, plant and equipment and amortisation charges on intangible assets.

(18) Employee benefit expense

	Year ended December 31	
	2023	2022
Wages and salaries	$ 216,813	$ 162,981
Labour and health insurance fees	20,583	13,986
Pension costs	9,107	6,623
Other personnel expenses	5,385	4,449
	$ 251,888	$ 188,039

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year shall be distributed as employees' compensation and directors' remuneration. The ratio shall be 1% to 10% for employees' compensation and shall not be higher than 3% for directors' remuneration. However, when the Company has losses, earnings should be reserved to cover losses first.

B. For the years ended December 31, 2023 and 2022, employees' compensation was accrued at $11,900 and $9,600, respectively; while directors' remuneration was accrued at $9,500 and $6,330, respectively. The aforementioned amounts were recognised in salary expenses.

For the year ended December 31, 2023, the employees' compensation and directors' remuneration were estimated and accrued based on the percentage of distributable profit of current year as of the end of reporting period as prescribed by the Company's Articles of Incorporation. The employees' compensation and directors' remuneration resolved by the Board of Directors were $11,900 and $9,500, and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' remuneration of 2022 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2022 financial statements. Employees' compensation of 2021 has not yet been completely distributed.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

C. Effective July 1, 2005, the Group has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. The Group contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2023 and 2022 were $8,905 and $6,430, respectively.

D. The Company contributes monthly an amount based on 4% of the directors' monthly salaries and wages to the retirement pension. The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2023 and 2022 were $202 and $193, respectively. As of December 31, 2023 and 2022, pension payable of the Company (shown as 'non-current net defined benefit liability') was $2,312 and $2,111, respectively.

(19) Income tax

A. Components of income tax expense:

	Year ended December 31	
	2023	2022
Current tax:		
Current tax on profits for the year	$ 65,247	$ 42,187
Tax on undistributed surplus earnings	6,920	2,060
Prior year income tax under (over) estimation	2,650	(5,313)
Total current tax	74,817	38,934
Deferred tax:		
Origination and reversal of temporary	(3,182)	3,649
Income tax expense	$ 71,635	$ 42,583

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31	
	2023	2022
Tax calculated based on profit before tax and statutory tax rate	$ 71,103	$ 50,655
Unrealised deferred tax income of temporary differences	(7,517)	(4,921)
Effect from items disallowed by tax regulation	756	2,429
Tax on undistributed surplus earnings	6,920	2,060
Prior year income tax under (over) estimation	2,650	(5,313)
Effect from investment tax credits (Note)	(2,277)	(2,327)
	$ 71,635	$ 42,583

Note: Investment tax credits were applied due to the compliance with the relevant laws and regulations under the Statute for Industrial Innovation and are deducted in the period in which they are incurred.

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2023			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Unrealised loss on decline in market value	$ 9,158	$ 803	$ -	$ 9,961
Unrealised exchange loss	1	(1)	-	-
Unused compensated absences	1,069	72	-	1,141
Warranty provision	34	(21)	-	13
Others	-	332	-	332
	10,262	1,185	-	11,447
Deferred tax liability:				
Unrealised exchange gain	(3,515)	1,997	-	(1,518)
	$ 6,747	$ 3,182	$ -	$ 9,929

	2022			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Unrealised loss on decline in market value	$ 8,348	$ 810	$ -	$ 9,158
Unrealised exchange loss	1,103	(1,102)	-	1
Unused compensated absences	944	125	-	1,069
Warranty provision	1	33	-	34
	10,396	(134)	-	10,262
Deferred tax liability:				
Unrealised exchange gain	$ -	($ 3,515)	$ -	($ 3,515)

D. The Group's income tax returns through 2020 have been assessed and approved by the Tax Authority. The Group does not have any administrative remedy as of the reporting date.

(20) Earnings per share

	Year ended December 31, 2023		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 242,030	39,000	$ 6.21
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	242,030	39,000	
Assumed conversion of all dilutive potential			
Employees' compensation	-	68	
	$ 242,030	39,068	$ 6.20

	Year ended December 31, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 183,570	39,000	$ 4.71
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	183,570	39,000	
Assumed conversion of all dilutive potential			
Employees' compensation	-	95	
	$ 183,570	39,095	$ 4.70

The abovementioned weighted average number of outstanding shares was retrospectively adjusted proportionately to the capitalised amount of capital surplus on August 30, 2023, and recalculated the earnings per share for the year ended December 31, 2022.

(21) Supplemental cash flow information

A. Investing activities with partial cash payments

	Year ended December 31	
	2022	2021
Purchase of property, plant and equipment	$ 50,585	$ 14,264
Add: Opening balance of payable on equipment	2,501	6,430
Less: Ending balance of payable on equipment	(14,233)	(2,501)
Cash paid during the year	$ 38,853	$ 18,193

B. Investing activities with no cash flow effects

	Year ended December 31	
	2023	2022
Prepayments for equipment transferred to property, plant and equipment	$ 6,537	$ 95
Right-of-use assets	-	178,107
Less: Lease liabilites	-	(178,107)
	$ -	$ -
Increase (decrease) in remeasurement of lease liabilities	$ 2,874	$ 67
Less: (Increase) decrease in right-of-use assets	(2,874)	(67)
	$ -	$ -

(22) Changes in liabilities from financing activities

	Lease liabilities	Liabilities from financing activities-gross
At January 1, 2023	$ 205,513	$ 205,513
Changes in cash flow from financing activities	(7,539)	(7,539)
Changes in other non-cash items	2,874	2,874
At December 31, 2023	$ 200,848	$ 200,848

	Lease liabilities	Liabilities from financing activities-gross
At January 1, 2022	$ 115,790	$ 115,790
Changes in cash flow from financing activities	(88,317)	(88,317)
Changes in other non-cash items	178,040	178,040
At December 31, 2022	$ 205,513	$ 205,513

7. Related Party Transactions

A. Significant related party transactions: None.

B. Key management compensation

	Year ended December 31	
	2023	2022
Short-term employee benefits	$ 18,406	$ 15,045
Post-employment benefits	202	193
	$ 18,608	$ 15,238

8. Pledged Assets

The Group’s assets pledged as collateral are as follows:

	Book value		
Pledged asset	December 31, 2023	December 31, 2022	Purpose
Time deposits (Note)	$ 77,785	$ 73,952	Performance guarantee deposits

Note: Time deposits pledged by the Group as collateral were shown as ‘non-current financial assets at amortised cost’.

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

None.

(2) Commitments

A. Amounts of the Group’s letter of guarantee issued by the bank are as follows:

	December 31, 2022	December 31, 2021
Letter of performance guarantee	$ 14,000	$ 22,000

B. Amounts of the guarantee notes paid issued by the Group as performance guarantee are as follows:

	December 31, 2022	December 31, 2021
Guarantee notes paid	$ 55,000	$ 60,500

C. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	December 31, 2023	December 31, 2022
Property, plant and equipment	$ 17,443	$ 13,756
Intangible assets	495	1,188
	$ 17,938	$ 14,944

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

A. Details of the appropriation of 2023 earnings proposed by the Board of Directors on March 12, 2024 are provided in Note 6(12).

B. Details of the employees' compensation and directors' remuneration of 2023 resolved by the Board of Directors on March 12, 2024 are provided in Note 6(18).

C. On December 19, 2023, the Company's Board of Directors issued the first domestic unsecured convertible bonds, amounting to 5 thousand bonds at a par value of $100 thousand per bond, cover a 3-year period of issuance. The total issuance amount was $500 million, which has been approved by regulatory authority on January 17, 2024.

D. On January 23, 2024, the Company's Board of Directors resolved the construction of a factory in Renwu Industrial Park, Kaohsiung City, with an estimated investment amount of $670,000, and authorised the Chairman of the Board of Directors to have full authority to deal with the signing of the contract for the construction of the factory.

12. Others

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Following the industry practices, the Group monitors capital on the basis of the debt ratio.

The Group's strategy was to maintain a stable debt ratio and the ratios were as follows:

	December 31, 2023	December 31, 2022
Total liabilities	$ 475,392	$ 420,698
Total assets	$ 2,365,696	$ 2,144,372
Debt ratio	20%	20%

(2) Financial instruments

A. Fair value information of financial instruments

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, financial assets at amortised cost, accounts receivable, other receivables, guarantee deposits paid, notes payable, accounts payable, other payables (excluding tax payable), lease liabilities, and guarantee deposits received) are approximate to their fair values. In addition, the Group has no financial instruments measured at fair value.

B. Financial instruments by category

	December 31, 2023	December 31, 2022
Financial assets		
Financial assets at amortised cost		
Cash and cash equivalents	$ 429,595	$ 452,720
Financial assets at amortised cost	584,469	400,932
Accounts receivable	214,391	187,796
Other receivables	4,065	1,816
Guarantee deposits paid	6,255	4,194
	$ 1,238,775	$ 1,047,458

	December 31, 2023	December 31, 2022
Financial liabilities		
Financial liabilities at amortised cost		
Notes payable	$ -	$ 960
Accounts payable	10,145	11,754
Other payables (including related parties)	121,570	85,232
Guarantee deposits received	600	600
	$ 132,315	$ 98,546
Lease liability	$ 200,848	$ 205,513

C. Financial risk management policies

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.

D. Significant financial risks and degrees of financial risks

(a)Market risk

Foreign exchange risk

i. Management has set up a policy to manage its foreign exchange risk against its functional currency. The Group hedges its entire foreign exchange risk exposure with the treasury department. Foreign exchange risk arises when future commercial transactions and recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

ii. The Group's businesses involve some non-functional currency operations. The information on assets denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is shown below. There were no significant liabilities denominated in foreign currencies.

Financial assets	December 31, 2023		
Monetary items	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
USD:NTD	$ 12,975	30.66	$ 397,814

Financial assets	December 31, 2022		
Monetary items	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
USD:NTD	$ 16,220	30.65	$ 497,143

iii. The total exchange gain (loss), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2023 and 2022, amounted to $2,012 and $31,823, respectively.

iv. If the exchange rate of New Taiwan dollars to all foreign currencies had appreciated/depreciated by 5% with all other variables held constant, effect on profit, net of tax, for the years ended December 31, 2023 and 2022 would be $19,891 and $24,857, respectively.

Price risk

The Group is not exposed to significant commodity price risk.

Interest rate risk

The Group has no significant interest rate risk.

(b)Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, contract assets and the contract cash flows of debt instruments stated at amortised cost.

ii. The Group manages their credit risk taking into consideration the entire group's concern and only transacts with banks and financial institutions with optimal credit ratings. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.

iii. As of December 31, 2023 and 2022, the accounts receivable of the Group's top 4 customers constituted 78% and 86% of the Group's total accounts receivable, respectively. The credit concentration risk of the remaining accounts receivable is relatively insignificant.

iv. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

In accordance with the management of credit risk and based on the historical collection experience, if the contract payments were past due over 90 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition. The default occurs when the contract payments are past due over 365 days.

v. In accordance with the management of credit risk and based on the historical collection experience, the default occurs when the contract payments are past due over 365 days.

vi. The Group classifies customers' accounts receivable and contract assets in accordance with credit terms. The Group applies the modified approach using a provision matrix to estimate the expected credit loss.

vii. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;
(ii) The disappearance of an active market for that financial asset because of financial difficulties;
(iii) Default or delinquency in interest or principal repayments;
(iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

viii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. The Group did not write-off financial assets for the years ended December 31, 2023 and 2022.

ix. The Group adjusted the provision matrix according to the historical credit loss experience of accounts receivable and contract assets as well as the forecastability, which considered the economic condition of next year. The Group's provision matrix based on the abovementioned estimates is as follows:

Year ended December 31, 2023	Not past due	1~90 days past due	91~180 days past due	181~270 days past due	271~365 days past due	Over 365 days past due
Expected loss rate	0.10%	1%	10%	25%	50%	100%

Year ended December 31, 2022	Not past due	1~90 days past due	91~180 days past due	181~270 days past due	271~365 days past due	Over 365 days past due
Expected loss rate	0.01%	0.10%	0.20%	2%	17%	100%

x. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable and contract assets are as follows:

	Year ended December 31	
	2023	2022
At January 1	13,895	555
(Reversal of) provision for impairment loss	(9,670)	13,340
At December 31	$ 4,225	$ 13,895

The impairment gains (losses) recognised for the accounts receivable and contract assets arising from customers' contracts for the years ended December 31, 2023 and 2022 were $9,670 and ($13,340), respectively.

(c)Liquidity risk

i. The Group maintains financial flexibility through contracts such as cash and cash equivalents. The table below analyses the Group's non-derivative financial liabilities based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

December 31, 2023	Less than 1 year	Between 1 and 2 year(s)	Between 2 and 5 year(s)	Over 5 years
Accounts payable	$ 10,145	$ -	$ -	$ -
Other payables	121,570	-	-	-
Lease liability	8,355	7,851	42,540	174,638

December 31, 2022	Less than 1 year	Between 1 and 2 year(s)	Between 2 and 5 year(s)	Over 5 years
Notes payable	$ 960	$ -	$ -	$ -
Accounts payable	11,754	-	-	-
Other payables	85,232	-	-	-
Lease liability	8,485	9,588	23,207	198,795

ii. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

13. Supplementary Disclosures

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company’s paid-in capital: None.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to Table 1.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to table 2.

(3) Information on investments in Mainland China

A. Basic information: None.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

(4) Major shareholders information

Major shareholders information: Please refer to table 3.

14. Segment Information

(1) General information

The Group is primarily engaged in the processing, manufacturing and trading of aircraft and its parts. The Group allocates resources and assesses performance of the Group as a whole, and has identified that the Group has only one reportable operating segment.

(2) Measurement of segment information

The Group evaluates the performances of the operating segments based on their net income (loss). This measurement basis excludes the effects of non-recurring revenues/expenditures from the operating segments. Accounting policies of operating segments are the same as the summary of significant accounting policies in Note 4 to the consolidated financial statements.

(3) Information about segment profit or loss, assets and liabilities

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	Year ended December 31	
	2023	2022
External operating revenue-net	$ 832,658	$ 636,810
Inter-segment revenue	$ 242,030	$ 183,570
	December 31, 2023	December 31, 2022
Segment assets	$ 2,365,696	$ 2,144,372
(Decreasing) increasing amount of non-current assets of segment (Note)	($ 12,012)	$ 143,621
Segment liabilities	$ 475,392	$ 420,698

Note: Not including financial instruments, deferred income tax and refundable deposits.

(4) Reconciliation for segment income (loss)

The revenue from customers reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income. The amounts provided to the Chief Operating Decision-Maker with respect to segment income (loss), total assets and liabilities are measured in a manner consistent with that of the financial statements.

(5) Information on products and services

Revenue from external customers is mainly from the processing, manufacturing and trading of aircraft and its parts.

Details of revenue is as follows:

	Year ended December 31	
	2023	2022
Sales revenue	$ 577,257	$ 445,903
Processing fee revenue	254,112	183,349
Others	1,289	1,558
	$ 832,658	$ 630,810

(6) Geographical information

Geographical information is as follows:

	Year ended December 31, 2023		Year ended December 31, 2022	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 344,495	$ 649,859	$ 310,623	$ 661,871
US	387,671	-	259,362	-
FR	35,931	-	17,966	-
Others	64,591	-	48,859	-
	$ 832,688	$ 649,859	$ 636,810	$ 661,871

(7) Major customer information

The information on customers whose income from external customers of the Group accounts for more than 10% of the consolidated net operating income is as follows:

	Year ended December 31, 2023		Year ended December 31, 2022	
	Revenue	More than 10% of the consolidated net operating income	Revenue	More than 10% of the consolidated net operating income
B	$ 322,743	39%	$ 209,320	33%
A	210,972	25%	176,912	28%
C	125,687	15%	130,334	20%
D	59,365	7%	36,411	6%

DREWLOONG PRECISION, INC.

Significant inter-company transactions during the reporting periods

Year ended December 31, 2023

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total
0	DREWLOONG PRECISION, INC.	DREWLOONG TECHNOLOGIES, INC.	1	Processing expense	$ 103,491	In accordance with mutual agreement	12%
0	DREWLOONG PRECISION, INC.	DREWLOONG TECHNOLOGIES, INC.	1	Other payables	43,761	In accordance with mutual agreement	2%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is ‘0’.

(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

DREWLOONG PRECISION, INC.

Information on investees

Year ended December 31, 2023

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2023	Initial investment amount: Balance as at December 31, 2022	Shares held as at December 31, 2023: Number of shares	Shares held as at December 31, 2023: Ownership (%)	Shares held as at December 31, 2023: Book value	Net profit (loss) of the investee for the year ended December 31, 2023	Investment income (loss) recognised by the Company for the year ended December 31, 2023	Footnote
DREWLOONG PRECISION, INC.	DREWLOONG TECHNOLOGIES, INC.	Taiwan	Manufacturing, processing and trading of aircraft and surface treatment of its parts	$ 60,000	$ 60,000	6,000,000	100	$ 91,444	$ 41,854	$ 37,584	-

DREWLOONG PRECISION, INC.

Major shareholders information

December 31, 2023

Table 3

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
HON LONG Investment Holdings Co., Ltd.	6,219,708	15.94%
WANG KUN SHENG	5,799,808	14.87%