Aerospace Industrial Development Corporation

Parent Company Only Financial Statements for the Years Ended December 31, 2024 and 2023 and Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Aerospace Industrial Development Corporation

Opinion

We have audited the accompanying parent company only financial statements of Aerospace Industrial Development Corporation (the "Company"), which comprise the parent company only balance sheets as of December 31, 2024 and 2023, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent company only financial statements, including material accounting policy information (collectively referred to as the " parent company only financial statements").

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2024 and 2023, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the Company's financial statements for the year ended December 31, 2024 is stated as follows:

Impairment loss of inventory

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

1. We selected samples of the inventory aging report and tested the completeness and accuracy of the inventory.

2. We selected samples of raw materials that were over 1 year, which were not recognized as obsolete, and confirmed the reasonableness of not recognizing the raw materials' obsolescence.

3. We tested the net realizable value of raw materials which were not recognized as obsolete and selected samples and calculated the allowance for impairment loss.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2024 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Done-Yuin Tseng and Shu-Chin Chiang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 27, 2025

Notice to Readers

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

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

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2024 AND 2023
(In Thousands of New Taiwan Dollars)

	December 31			
	2024		2023	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 1,943,546	4	$ 3,061,101	7
Contract assets - current (Notes 4 and 23)	4,955,859	10	1,385,123	3
Notes receivable (Notes 4 and 8)	14,036	-	11,595	-
Trade receivables from unrelated parties (Notes 4 and 8)	9,798,558	20	7,396,029	17
Trade receivables from related parties (Notes 4 and 29)	518,644	1	256,948	1
Other receivables (Notes 4, 8 and 29)	87,035	-	22,023	-
Inventories (Notes 4, 5 and 9)	14,947,222	30	15,513,355	35
Other financial assets - current (Notes 4, 15 and 30)	1,437,260	3	848,769	2
Other current assets (Notes 4, 16 and 29)	835,576	2	990,486	2
Incremental costs of obtaining a contract- current (Notes 4 and 23)	-	-	177,342	1
Total current assets	34,537,736	70	29,662,771	68
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 7)	24,773	-	49,719	-
Investments accounted for using the equity method (Notes 4 and 10)	2,357,584	5	1,864,119	4
Property, plant and equipment (Notes 4, 11 and 30)	9,064,067	18	8,878,930	20
Right-of-use assets (Notes 4 and 12)	1,437,488	3	1,495,477	3
Investment properties (Notes 4 and 13)	11,891	-	20,218	-
Intangible assets (Notes 4 and 14)	596,515	1	770,080	2
Deferred tax assets (Notes 4 and 25)	351,593	1	396,396	1
Prepayments for equipment	433,525	1	381,407	1
Net defined benefit assets - non-current (Notes 4 and 21)	448,774	1	189,944	1
Other financial assets - non-current (Notes 4, 15 and 30)	8,057	-	42,008	-
Other non-current assets (Notes 4, 8 and 16)	105,675	-	100,025	-
Total non-current assets	14,839,942	30	14,188,323	32
TOTAL	$ 49,377,678	100	$ 43,851,094	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 17)	$ 6,400,000	13	$ 500,000	1
Short-term bills payable (Note 17)	6,442,388	13	7,444,470	17
Contract liabilities (Notes 4 and 23)	51,034	-	1,125,593	3
Trade payables to unrelated parties	2,965,161	6	2,746,536	6
Trade payables to related parties (Note 29)	75,888	-	28,372	-
Other payables (Notes 19 and 29)	4,120,231	9	4,052,933	9
Current tax liabilities (Notes 4 and 25)	82,484	-	557,077	1
Provisions - current (Notes 4 and 20)	790,260	2	817,072	2
Lease liabilities - current (Notes 4 and 12)	111,965	-	103,044	-
Current portion of long-term borrowings and bonds payable (Note 18)	-	-	2,999,426	7
Other current liabilities	1,463,190	3	870,702	2
Total current liabilities	22,502,601	46	21,245,225	48
NON-CURRENT LIABILITIES				
Bonds payable (Note 18)	3,447,854	7	3,447,223	8
Long-term borrowings (Note 17)	3,000,000	6	-	-
Deferred tax liabilities (Notes 4 and 25)	510,455	1	341,702	1
Lease liabilities - non-current (Notes 4 and 12)	1,387,524	3	1,447,740	3
Long-term deferred revenue (Note 4)	11,652	-	7,348	-
Guarantee deposits (Note 29)	272,094	-	262,516	1
Total non-current liabilities	8,629,579	17	5,506,529	13
Total liabilities	31,132,180	63	26,751,754	61
EQUITY				
Ordinary shares	9,418,671	19	9,418,671	21
Capital surplus	18,251	-	11,746	-
Retained earnings				
Legal reserve	1,599,274	3	1,374,269	3
Special reserve	1,919,701	4	1,946,538	5
Unappropriated earnings	5,192,183	11	4,366,362	10
Other equity	97,418	-	(18,246)	-
Total equity	18,245,498	37	17,099,340	39
TOTAL	$ 49,377,678	100	$ 43,851,094	100

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

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2024		2023	
	Amount	%	Amount	%
SALES (Notes 4, 23 and 29)	$ 39,246,798	100	$ 39,010,555	100
COST OF GOODS SOLD (Notes 9, 24 and 29)	35,605,763	91	34,739,937	89
GROSS PROFIT	3,641,035	9	4,270,618	11
OPERATING EXPENSES (Notes 24 and 29)				
Selling and marketing expenses	165,221	-	159,748	-
General and administrative expenses	648,043	2	686,150	2
Research and development expenses	624,161	1	655,683	2
Expected credit gain (Notes 4 and 8)	(164)	-	(5,192)	-
Total operating expenses	1,437,261	3	1,496,389	4
PROFIT FROM OPERATIONS	2,203,774	6	2,774,229	7
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4 and 24)	93,155	-	155,846	1
Other gains and losses (Notes 4, 14 and 24)	238,074	1	(317,675)	(1)
Share of profits of subsidiaries and associates (Note 4)	360,539	1	342,439	1
Interest income	44,316	-	38,492	-
Finance costs	(258,870)	(1)	(259,818)	(1)
Total non-operating income and expenses	477,214	1	(40,716)	-
PROFIT BEFORE INCOME TAX	2,680,988	7	2,733,513	7
INCOME TAX EXPENSE (Notes 4 and 25)	512,921	1	507,614	1
NET PROFIT FOR THE YEAR	2,168,067	6	2,225,899	6
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	207,064	-	24,150	-
Unrealized (loss) gain (loss) on investments in equity instruments designated as at fair value through other comprehensive income	(5,637)	-	6,346	-

(Continued)

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2024		2023	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	$ 107,610	-	$ 20,491	-
Other comprehensive income for the year, net of income tax	309,037	-	50,987	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 2,477,104	6	$ 2,276,886	6
EARNINGS PER SHARE (Note 26)				
Basic	$ 2.30		$ 2.36	
Diluted	$ 2.29		$ 2.36	

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company							
			Retained Earnings (Note 22)			Other Equity		
	Common Stock (Note 22)	Capital Surplus (Notes 4 and 10)	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statement of Foreign Operations	Unrealized Gain (Loss) on Investments in Equity Instruments Designated as at Fair Value Through Other Comprehensive Income (Note 7)	Total Equity
BALANCE AT JANUARY 1, 2023	$ 9,418,671	$ 4,981	$ 1,201,854	$ 2,055,275	$ 3,197,207	$ (9,256)	$ (35,827)	$ 15,832,905
Appropriation of 2022 earnings								
Legal reserve	-	-	172,415	-	(172,415)	-	-	-
Special reserve	-	-	-	(108,737)	108,737	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(1,017,216)	-	-	(1,017,216)
Changes in capital surplus from investments in associates accounted for using the equity method	-	6,765	-	-	-	-	-	6,765
Profit for the year ended December 31, 2023	-	-	-	-	2,225,899	-	-	2,225,899
Other comprehensive income for the year ended December 31, 2023, net of income tax	-	-	-	-	24,150	20,491	6,346	50,987
Total comprehensive income for the year ended December 31, 2023	-	-	-	-	2,250,049	20,491	6,346	2,276,886
BALANCE AT DECEMBER 31, 2023	9,418,671	11,746	1,374,269	1,946,538	4,366,362	11,235	(29,481)	17,099,340
Appropriation of 2023 earnings								
Legal reserve	-	-	225,005	-	(225,005)	-	-	-
Special reserve	-	-	-	(26,837)	26,837	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(1,337,451)	-	-	(1,337,451)
Changes in capital surplus from investments in associates accounted for using the equity method	-	6,505	-	-	-	-	-	6,505
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	(13,691)	-	13,691	-
Profit for the year ended December 31, 2024	-	-	-	-	2,168,067	-	-	2,168,067
Other comprehensive income (loss) for the year ended December 31, 2024, net of income tax	-	-	-	-	207,064	107,610	(5,637)	309,037
Total comprehensive income (loss) for the year ended December 31, 2024	-	-	-	-	2,375,131	107,610	(5,637)	2,477,104
BALANCE AT DECEMBER 31, 2024	$ 9,418,671	$ 18,251	$ 1,599,274	$ 1,919,701	$ 5,192,183	$ 118,845	$ (21,427)	$ 18,245,498

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

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2024	**2023**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 2,680,988	$ 2,733,513
Adjustments for:		
Depreciation expense	1,305,278	1,248,767
Amortization expense	372,849	228,501
Expected credit gain	(164)	(5,192)
Finance costs	258,870	259,818
Interest income	(44,316)	(38,492)
Dividend income	(234)	(167)
Share of profit of subsidiaries and associates	(360,539)	(342,439)
Loss on disposal of property, plant and equipment	457	-
Impairment loss recognized on non-financial assets	25,544	56,483
Unrealized net (gain) loss on foreign currency exchange	(100,247)	168,505
Recognition of provisions	78,256	345,444
Other income from liabilities	(4,281)	(318)
Benefits from lease modification	(5)	-
Net changes in operating assets and liabilities		
Contract assets	(3,570,736)	135,856
Notes receivable	(2,441)	(7,944)
Trade receivables	(2,568,839)	712,514
Other receivables	(65,063)	15,776
Inventories	458,841	(2,094,667)
Other current assets	154,564	960,942
Incremental costs of obtaining a contract	177,342	(42,750)
Contract liabilities	(1,074,559)	(1,030,306)
Trade payables	262,986	1,093,117
Other payables	(63,652)	230,996
Other current liabilities	50,191	(131,549)
Deferred income	4,304	(912)
Cash (used in) generated from operations	(2,024,606)	4,495,496
Interest received	44,367	38,499
Interest paid	(252,234)	(262,590)
Income tax paid	(852,626)	(314,976)
Net cash (used in) generated from operating activities	(3,085,099)	3,956,429
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of financial assets at FVTOCI	19,309	-
Payments for property, plant and equipment	(1,049,186)	(807,482)
Increase in refundable deposits	(49,790)	(64,196)
Decrease in refundable deposits	55,623	43,289
Payments for intangible assets	(176,278)	(238,847)
Decrease (increase) in other financial assets	(7,486)	102,651

(Continued)

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2024	**2023**
Increase in other non-current assets	$ (16,372)	$ (15,372)
Increase in prepayments for equipment	(271,690)	(347,770)
Dividends received	8,334	167
Net cash used in investing activities	(1,487,536)	(1,327,560)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	29,660,000	44,270,000
Repayments of short-term borrowings	(23,760,000)	(45,270,000)
Proceeds from short-term bills payable	25,936,984	42,812,213
Repayments of short-term bills payable	(26,939,066)	(41,755,633)
Repayments of Bonds paya	(3,000,000)	-
Proceeds from long-term borrowings	3,000,000	4,820,000
Repayments of long-term borrowings	-	(6,620,000)
Proceeds of guarantee deposits	115,585	130,413
Refund of guarantee deposits	(106,007)	(92,559)
Repayment of the principal portion of lease liabilities	(114,965)	(110,937)
Dividends paid to owners of the Company	(1,337,451)	(1,017,216)
Net cash generated from (used in) financing activities	3,455,080	(2,833,719)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,117,555)	(204,850)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	3,061,101	3,265,951
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,943,546	$ 3,061,101

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on March 27, 2025.

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

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

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

b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2025

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 1)
Amendments to IFRS 9 and IFRS 7 "Amendments to the Classification and Measurement of Financial Instruments" - the amendments to the application guidance of classification of financial assets	January 1, 2026 (Note 2)

Note 1: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments to IAS 21, the Group shall not restate the comparative information and shall recognize any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or, if applicable, to the cumulative amount of translation differences in equity as well as affected assets or liabilities.

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2026. It is permitted to apply these amendments for an earlier period beginning on January 1, 2025. An entity shall apply the amendments retrospectively but is not required to restate prior periods. The effect of initially applying the amendments shall be recognized as an adjustment to the opening balance at the date of initial application. An entity may restate prior periods if, and only if, it is possible to do so without the use of hindsight.

c. The IFRS Accounting Standards in issued by International Accounting Standards Board (IASB) but not yet endorsed and issued into effect by the FSC

New, Amended and Revised Standards and Interpretations	**Effective Date Announced by IASB (Note)**
Annual Improvements to IFRS Accounting Standards - Volume 11	January 1, 2026
Amendments to IFRS 9 and IFRS 7 "Amendments to the Classification and Measurement of Financial Instruments"- the amendments to the application guidance of derecognition of financial liabilities	January 1, 2026
Amendments to IFRS 9 and IFRS 7 "Contracts Referencing Nature-dependent Electricity"	January 1, 2026
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
IFRS 18 "Presentation and Disclosure in Financial Statements"	January 1, 2027
IFRS 19 "Subsidiaries without Public Accountability: Disclosures"	January 1, 2027

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

1) IFRS 18 "Presentation and Disclosure in Financial Statements"

IFRS 18 will supersede IAS 1" Presentation of Financial Statements". The main changes comprise:

Items of income and expenses included in the statement of profit or loss shall be classified into the operating, investing, financing, income taxes and discontinued operations categories.

The statement of profit or loss shall present totals and subtotals for operating profit or loss, profit or loss before financing and income taxes and profit or loss.

Provides guidance to enhance the requirements of aggregation and disaggregation: The Company shall identify the assets, liabilities, equity, income, expenses and cash flows that arise from individual transactions or other events and shall classify and aggregate them into groups based on shared characteristics, so as to result in the presentation in the primary financial statements of line items that have at least one similar characteristic. The Company shall disaggregate items with dissimilar characteristics in the primary financial statements and in the notes. The Company labels items as "other" only if it cannot find a more informative label.

Disclosures on Management-defined Performance Measures (MPMs): When in public communications outside financial statements and communicating to users of financial statements management's view of an aspect of the financial performance of the Group as a whole, the Group shall disclose related information about its MPMs in a single note to the financial statements, including the description of such measures, calculations, reconciliations to the subtotal or total specified by IFRS Accounting Standards and the income tax and non-controlling interests effects of related reconciliation items.

2) Amendments to IFRS 9 and IFRS 7 "Amendments to the Classification and Measurement of Financial Instruments" - the amendments to the application guidance of derecognition of financial liabilities

The amendments also stipulate that, when settling a financial liability in cash using an electronic payment system, the Company can choose to derecognize the financial liability before the settlement date if, and only if, the Company has initiated a payment instruction that resulted in:

- The Company having no practical ability to withdraw, stop or cancel the payment instruction;
- The Company having no practical ability to access the cash to be used for settlement as a result of the payment instruction; and
- The settlement risk associated with the electronic payment system being insignificant.

The Company shall apply the amendments retrospectively but is not required to restate prior periods. The effect of initially applying the amendments shall be recognized as an adjustment to the opening balance at the date of initial application.

As of the date the individual financial statements were authorized for issue, the Company is continuously assessing the other impacts of the above amended standards and interpretations on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

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

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for the asset or liability.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and associates, the share of other comprehensive income of subsidiaries and associates and the related equity items, as appropriate, in these parent company only financial statements.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets to be realized within twelve months after the reporting period; and

3) Cash unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within twelve months after the reporting period, and

3) Liabilities for which the Company does not have the substantial right at the end of the reporting period to defer settlement for at least twelve months after the reporting period.

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

d. Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the Company’s functional currency (ie., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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

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

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

e. Inventories

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

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries. Subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the entire financial statements of the invested company. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes the reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

g. Investment in associates

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

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

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

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

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

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

h. Property, plant and equipment

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

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

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

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

i. Incremental costs of obtaining a contract

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

j. Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are measured at cost. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. The Company depreciates investment property on a straight-line basis.

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

k. Intangible assets

1) Intangible assets acquired separately

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

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

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

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

a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;

b) The intention to complete the intangible asset and use or sell it;

c) The ability to use or sell the intangible asset;

d) How the intangible asset will generate probable future economic benefits;

e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

f) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

3) Derecognition of intangible assets

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

l. Impairment of property, plant and equipment, right-of-use assets, investment properties, and intangible assets

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

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

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

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

m. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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

i. Financial assets at amortized cost

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

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

i) Significant financial difficulty of the issuer or the borrower;

ii) Breach of contract, such as a default;

iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv) The disappearance of an active market for that financial asset because of financial difficulties.

ii. Investments in equity instruments at FVTOCI

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

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

b) Impairment of financial assets and contract assets

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

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

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

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

i. Internal or external information show that the debtor is unlikely to pay its creditors.

ii. When a financial asset is more than 365 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

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

c) Derecognition of financial assets

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

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

2) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

n. Provisions

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

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

o. Revenue recognition

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

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

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

1) Revenue from sale of goods

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

2) Revenue from rendering of services

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

p. Leasing

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

The Company as lessee

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

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

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

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

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

q. Borrowing costs

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

r. Government grants

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

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

s. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

t. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

3) Current and deferred taxes

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

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key Sources of Estimation Uncertainty - Write-down of Inventories

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2024	**2023**
Cash on hand and petty cash	$ 551	$ 601
Checking accounts and demand deposits	1,942,995	3,060,500
	$ 1,943,546	$ 3,061,101
Rates of bank balance (%)		
Demand deposits	0.002-4.30	0.00-4.70

7. FINANCIAL ASSETS AT FVTOCI - NON-CURRENT

	December 31	
	2024	2023
Emerging market shares		
UHT Unitech Co Ltd. (UHT Ltd.)	$ -	$ 22,330
Unlisted ordinary shares		
Aerovision Avionics Inc. (AAI)	22,496	25,164
Metro Consulting Service Ltd. (Metro Ltd.)	2,277	2,225
	24,773	27,389
	$ 24,773	$ 49,719

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

From May to June 2024, the Company sold common shares of Company UHT Ltd. at a fair value of $19,309 thousand and other equity - unrealized losses on investments in equity instruments designated as at fair value through other comprehensive income of $13,691 thousand was transferred to retained earnings.

8. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER TRADE RECEIVABLES

	December 31	
	2024	2023
Notes receivable	$ 14,036	$ 11,595
Trade receivables from unrelated parties		
At amortized cost		
Gross carrying amount	$ 9,800,155	$ 7,396,218
Less: Allowance for impairment loss	(1,597)	(189)
	$ 9,798,558	$ 7,396,029
Other receivables		
Other tax refunds	$ 86,837	$ 21,646
Others	198	377
	$ 87,035	$ 22,023

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

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

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

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

	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 365 Days	Over 365 Days	Total
December 31, 2024						
Expected credit loss rate	0%	0%-2%	2%-15%	10%-50%	100%	
Gross carrying amount	$ 9,597,280	$ 207,250	$ 9,661	$ 9,488	$ 4,003	$ 9,827,682
Loss allowance (Lifetime ECLs)	-	(249)	(1,348)	(1,588)	(4,003)	(7,188)
Amortized cost	$ 9,597,280	$ 207,001	$ 8,313	$ 7,900	$ -	$ 9,820,494
December 31, 2023						
Expected credit loss rate	0%	0%-2%	2%-11%	10%-50%	100%	
Gross carrying amount	$ 7,377,821	$ 29,767	$ 225	$ 134	$ 7,111	$ 7,415,058
Loss allowance (Lifetime ECLs)	-	(185)	(4)	(52)	(7,111)	(7,352)
Amortized cost	$ 7,377,821	$ 29,582	$ 221	$ 82	$ -	$ 7,407,706

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

	For the Year Ended December 31, 2024	
	Trade Receivables	Overdue Receivables
Balance at January 1, 2024	$ 189	$ 7,163
Impairment loss recognized (reversed)	1,408	(1,572)
Balance at December 31, 2024	$ 1,597	$ 5,591

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

9. INVENTORIES

	December 31	
	2024	2023
Raw materials	$ 8,814,642	$ 9,832,627
Work in progress	5,594,139	5,285,547
Inventory in transit	538,441	395,181
	$ 14,947,222	$ 15,513,355

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

	For the Year Ended December 31	
	2024	2023
Recognition (reversal) of inventory write-downs	$ 2,224	$ (93,041)
Loss on disposal of inventories	29,270	32,586
Indemnity income	(54,351)	(20,910)
Income from sales of scraps	(20,010)	(23,707)

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

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31			
	2024		2023	
	Amount	% of Ownership	Amount	% of Ownership
Investments in subsidiaries				
AIDC USA LLC (AIDC USA)	$ 2,314,306	100	$ 1,829,686	100
Hsiang Yuan Co., Ltd. (HYCO)	27,320	100	25,199	100
Investments in associate				
Jung Sheng Precision IND Co., Ltd. (JSPCO)	15,958	20.00	9,234	23.81
	$ 2,357,584		$ 1,864,119	

On March 13, 2023, November 20, 2023 and September 12, 2024, the board of directors of JSPCO approved the cash injection amounted to $15,000 thousand, $15,000 thousand and $40,000 thousand , respectively. The Company did not participate in this subscription. Therefore, the Company's percentage of ownership interest in JSPCO decreased to 25.64%, 23.81% and 20%.

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

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Property in Construction	Total
Cost								
Balance at January 1, 2024	$ -	$ 119,436	$ 6,363,747	$ 16,795,797	$ 777,926	$ 998,437	$ 69	$ 25,055,412
Additions	128,700	-	73,137	935,844	11,891	24,280	1,290	1,175,142
Disposals	-	(100)	-	(187,327)	(2,840)	(7,021)	-	(197,288)
Reclassification	-	-	-	196,321	-	-	(69)	196,252
Balance at December 31, 2024	$ 128,700	$ 119,336	$ 6,436,884	$ 17,740,635	$ 786,977	$ 1,015,696	$ 1,290	$ 26,229,518
Accumulated depreciation and impairment								
Balance at January 1, 2024	$ -	$ 117,277	$ 3,432,841	$ 11,274,313	$ 719,769	$ 632,282	$ -	$ 16,176,482
Depreciation expense	-	672	150,578	945,343	22,259	66,948	-	1,185,800
Disposals	-	(98)	-	(186,872)	(2,840)	(7,021)	-	(196,831)
Balance at December 31, 2024	$ -	$ 117,851	$ 3,583,419	$ 12,032,784	$ 739,188	$ 692,209	$ -	$ 17,165,451
Carrying amount at January 1, 2024	$ -	$ 2,159	$ 2,930,906	$ 5,521,484	$ 58,157	$ 366,155	$ 69	$ 8,878,930
Carrying amount at December 31, 2024	$ 128,700	$ 1,485	$ 2,853,465	$ 5,707,851	$ 47,789	$ 323,487	$ 1,290	$ 9,064,067
Cost								
Balance at January 1, 2023	$ -	$ 119,436	$ 6,650,432	$ 15,904,303	$ 759,437	$ 936,517	$ 623	$ 24,370,748
Additions	-	-	10,249	723,626	24,385	66,047	69	824,376
Disposals	-	-	-	(250,948)	(10,985)	(4,127)	-	(266,060)
Reclassification	-	-	(296,934)	418,816	5,089	-	(623)	126,348
Balance at December 31, 2023	$ -	$ 119,436	$ 6,363,747	$ 16,795,797	$ 777,926	$ 998,437	$ 69	$ 25,055,412
Accumulated depreciation and impairment								
Balance at January 1, 2023	$ -	$ 116,539	$ 3,544,727	$ 10,619,574	$ 710,083	$ 575,196	$ -	$ 15,566,119
Depreciation expense	-	738	153,830	905,687	20,671	61,213	-	1,142,139
Disposals	-	-	-	(250,948)	(10,985)	(4,127)	-	(266,060)
Reclassification	-	-	(265,716)	-	-	-	-	(265,716)
Balance at December 31, 2023	$ -	$ 117,277	$ 3,432,841	$ 11,274,313	$ 719,769	$ 632,282	$ -	$ 16,176,482
Carrying amount at January 1, 2023	$ -	$ 2,897	$ 3,105,705	$ 5,284,729	$ 49,354	$ 361,321	$ 623	$ 8,804,629
Carrying amount at December 31, 2023	$ -	$ 2,159	$ 2,930,906	$ 5,521,484	$ 58,157	$ 366,155	$ 69	$ 8,878,930

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

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

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

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2024	2023
Carrying amount		
Land	$ 1,416,252	$ 1,485,791
Buildings	9,358	273
Machinery and equipment	1,662	392
Transportation equipment	6,084	-
Other equipment	4,132	9,021
	$ 1,437,488	$ 1,495,477

	For the Year Ended December 31	
	2024	2023
Additions to right-of-use assets	$ 64,741	$ 17,217
Depreciation charge for right-of-use assets		
Land	$ 110,498	$ 106,463
Buildings	4,503	4,336
Machinery and equipment	410	2,130
Transportation equipment	699	-
Other equipment	4,995	3,739
	$ 121,105	$ 116,668

Except for the addition and recognized depreciation, the Company did not have significant sublease or impairment of right-of-use assets for the years ended December 31, 2024 and 2023.

b. Lease liabilities

	December 31	
	2024	2023
Carrying amount		
Current	$ 111,965	$ 103,044
Non-current	$ 1,387,524	$ 1,447,740

Range of discount rates for lease liabilities was as follows:

	December 31	
	2024	2023
Land	1.6%	1.6%-1.75%
Buildings	1.95%	1.5%
Machinery and equipment	1.5%-1.95%	1.5%
Transportation equipment	1.95%-2.2%	-
Other equipment	1.75%-1.95%	1.75%

c. Material lease-in activities and terms

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

d. Other lease information

	For the Year Ended December 31	
	2024	**2023**
Expenses relating to short-term leases	$ 31,234	$ 62,728
Expenses relating to low-value asset leases	$ 995	$ 908
Total cash outflow for leases	$ (147,194)	$ (174,573)

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

13. INVESTMENT PROPERTIES

	Buildings
Cost	
Balance at January 1, 2024 & Balance at December 31, 2024	$ 296,934
Accumulated depreciation	
Balance at January 1, 2024	$ 276,716
Depreciation expense	8,327
Balance at December 31, 2024	$ 285,043
Carrying amount at January 1, 2024	$ 20,218
Carrying amount at December 31, 2024	$ 11,891
Cost	
Balance at January 1, 2023	$ -
Reclassification	296,934
Balance at December 31, 2023	$ 296,934
Accumulated depreciation	
Balance at January 1, 2023	$ -
Depreciation expense	11,000
Reclassification	265,716
Balance at December 31, 2023	$ 276,716
Carrying amount at January 1, 2023	$ -
Carrying amount at December 31, 2023	$ 20,218

All of the Company's investment properties were held under freehold and leased out for subsidiaries' use. The rentals were determined by reference to rentals of similar properties in the vicinity. The investment properties are depreciated on a straight-line basis over their estimated useful lives of 5-40 years.

The maturity analysis of lease payments receivable under operating leases of investment properties was as follows:

	December 31	
	2024	2023
Year 1	$ 549	$ 331
Year 2	549	331
Year 3	549	331
Year 4	-	331

The scope of the Company's investment property is limited to buildings on land. Since the land where the building is located is a state-owned property leased from the NPA and can only be used for the aviation industry, it cannot be traded in the open market; therefore, the Company determined that the fair value of the investment property is not reliably measurable.

14. INTANGIBLE ASSETS

	December 31	
	2024	2023
Other intangible assets		
Computer software	$ 88,572	$ 47,325
Deferred technical cooperation expenses	13,637	20,456
Patent	1,375	1,153
Trademark	47	64
	103,631	68,998
Intangible assets in development		
Non-recurring costs of projects	492,884	701,082
	$ 596,515	$ 770,080

	Other Intangible Assets	Intangible Assets in Development
Cost		
Balance at January 1, 2024	$ 1,135,987	$ 7,357,445
Additions from internal developments	-	114,841
Additions	72,137	-
Disposals	(32,859)	(31,877)
Reclassification	346	-
Balance at December 31, 2024	$ 1,175,611	$ 7,440,409

(Continued)

	Other Intangible Assets	Intangible Assets in Development
Accumulated amortization and impairment		
Balance at January 1, 2024	$ 1,066,989	$ 6,656,363
Amortization expense	37,850	323,039
Disposals	(32,859)	(31,877)
Balance at December 31, 2024	$ 1,071,980	$ 6,947,525
Carrying amount at December 31, 2024	$ 103,631	$ 492,884
Cost		
Balance at January 1, 2023	$ 1,179,287	$ 7,145,246
Additions from internal developments	-	214,244
Additions	46,857	-
Disposals	(93,307)	(2,045)
Reclassification	3,150	-
Balance at December 31, 2023	$ 1,135,987	$ 7,357,445
Accumulated amortization and impairment		
Balance at January 1, 2023	$ 1,132,861	$ 6,319,899
Amortization expense	27,435	188,985
Disposals	(93,307)	(2,045)
Impairment losses recognized	-	149,524
Balance at December 31, 2023	$ 1,066,989	$ 6,656,363
Carrying amount at December 31, 2023	$ 68,998	$ 701,082

(Concluded)

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

The impact of delayed certification of civil aircraft due to long development period in the industrial technology category, the Company estimated that expected future cash flows from non-recurring costs of projects have decreased. The Company carried out a review of the recoverable amount of non-recurring costs of projects and determined that the carrying amount exceeded the recoverable amount. The review led to the recognition of an impairment loss of $149,524 thousand for the years ended December 31, 2023. The Company adopts value in use as the recoverable amount of this intangible assets in development. This impairment loss is included in other gains and losses in the statements of comprehensive income.

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

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

15. OTHER FINANCIAL ASSETS

Other financial assets are time deposits with original maturities over three months from the date of acquisition (for pledged assets information, refer to Note 30). And bank deposits held for the National Defense Industrial Development Foundation.

	December 31	
	2024	2023
Other financial assets - current	$ 1,437,260	$ 848,769
Other financial assets - non-current	8,057	42,008
	$ 1,445,317	$ 890,777
Rates of interest per annum (%)	1.38-1.80	0.655-2.20

16. OTHER ASSETS

	December 31	
	2024	2023
Current		
Prepayments	$ 529,821	$ 692,036
Others	305,755	298,450
	$ 835,576	$ 990,486
Non-current		
Overdue receivables (Note 8)	$ 13,491	$ 7,245
Less: Allowance for impairment loss	(5,591)	(7,163)
	7,900	82
Refundable deposits	61,180	67,013
Others	36,595	32,930
	$ 105,675	$ 100,025

17. BORROWINGS

a. Short-term borrowings

	December 31	
	2024	2023
Unsecured borrowings	$ 6,400,000	$ 500,000
Rates of interest per annum (%)	1.74-1.846	1.5619

b. Short-term bills payable

	December 31	
	2024	**2023**
Commercial papers	$ 6,450,000	$ 7,450,000
Less: Unamortized discount on bills payable	(7,612)	(5,530)
	$ 6,442,388	$ 7,444,470
Rates of interest per annum (%)	1.72-1.80	1.46-1.52

c. Long-term borrowings

	December 31	
	2024	**2023**
Unsecured borrowings	$ 3,000,000	$ -
Rates of interest per annum (%)	1.785	-

The loan period is from December 13, 2024, to December 13, 2027. According to the loan agreement, interest is paid monthly, with the first disbursement date serving as the interest payment date. Starting from March 13, 2026, principal will be repaid quarterly, with a total of 8 principal repayments over 2 years.

18. BONDS PAYABLE

	December 31	
	2024	**2023**
Unsecured domestic bonds	$ 3,450,000	$ 6,450,000
Less: Unamortized discount on bonds payable	(2,146)	(3,351)
	3,447,854	6,446,649
Less: not than one year	-	(2,999,426)
included than one year	$ 3,447,854	$ 3,447,223

In September 2019, the Company issued a 5-year NTD-denominated unsecured bonds of $3,000,000 thousand at 0.71% in Taiwan. An interest per annum will be paid at the simple coupon rate, and the repayment is due 5 years from the date of issuance, repayable in September 17, 2024.

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

19. OTHER PAYABLES

	December 31	
	2024	2023
Payables for salaries and bonuses	$ 1,622,762	$ 1,591,401
Payables for outsourcing	808,244	869,334
Payables for purchases of equipment	333,066	207,110
Payables for annual leave	237,224	233,163
Payables for compensation of employees and remuneration of directors	140,216	142,963
Payables for service fees	83,603	174,156
Others	895,116	834,806
	$ 4,120,231	$ 4,052,933

20. PROVISIONS - NON-CURRENT

	December 31	
	2024	2023
Warranties	$ 783,798	$ 810,597
Others	6,462	6,475
	$ 790,260	$ 817,072

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

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

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Act is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes to a pension fund administered by the pension fund monitoring committee; the amounts of contributions were equal to 16.35% of total monthly salaries and wages for the years ended December 31, 2024 and 2023. Pension contributions are deposited in the Bank of Taiwan in the committee's name and are managed by the Bureau of Labor Funds, Ministry of Labor. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The Company has no right to influence the investment policy and strategy.

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

	December 31	
	2024	**2023**
Present value of defined benefit obligation	$ 3,068,095	$ 3,219,776
Fair value of plan assets	(3,516,869)	(3,409,720)
Net defined benefit assets	$ (448,774)	$ (189,944)

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

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liabilities (Assets)**
Balance at January 1, 2023	$ 3,071,417	$ (3,231,174)	$ (159,757)
Service cost			
Current service cost	365,679	-	365,679
Net interest expense (income)	35,529	(39,615)	(4,086)
Recognized in profit or loss	401,208	(39,615)	361,593
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(30,171)	(30,171)
Actuarial gain-experience adjustments	(16)	-	(16)
Recognized in other comprehensive income	(16)	(30,171)	(30,187)
Contributions from the employer	-	(361,593)	(361,593)
Benefits paid	(252,833)	252,833	-
Balance at December 31, 2023	3,219,776	(3,409,720)	(189,944)
Service cost			
Current service cost	342,991	-	342,991
Net interest expense (income)	36,532	(40,843)	(4,311)
Recognized in profit or loss	379,523	(40,843)	338,680
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(304,353)	(304,353)
Actuarial gain-change in financial assumptions	(31,610)	-	(31,610)
Actuarial loss-experience adjustments	77,133	-	77,133
Recognized in other comprehensive loss (income)	45,523	(304,353)	(258,830)
Contributions from the employer	-	(338,680)	(338,680)
Benefits paid	(576,727)	576,727	-
Balance at December 31, 2024	$ 3,068,095	$ (3,516,869)	$ (448,774)

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

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau of Pension Fund or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2024	**2023**
Discount rate	1.45%	1.20%
Expected rate of salary increase	1.50%	1.50%

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

	December 31	
	2024	**2023**
Discount rate		
0.25% increase	$ (30,149)	$ (35,790)
0.25% decrease	$ 31,610	$ 36,475
Expected rate of salary increase		
0.25% increase	$ 31,516	$ 36,276
0.25% decrease	$ (31,110)	$ (35,772)

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

	December 31	
	2024	**2023**
The expected contributions to the plan for the next year	$ 287,843	$ 338,680
The average duration of the defined benefit obligation	4.2 years	4.6 years

22. EQUITY

a. Ordinary shares

	December 31	
	2024	2023
Number of shares authorized (in thousands)	1,500,000	1,500,000
Shares authorized	$ 15,000,000	$ 15,000,000
Number of shares issued and fully paid (in thousands)	941,867	941,867
Issued capital and collected proceeds	$ 9,418,671	$ 9,418,671

b. Retained earnings and dividend policy

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

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

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

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

The appropriations of earnings for 2023 and 2022 were approved in the shareholders' meetings on May 27, 2024 and May 30, 2023, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	2023	2022	2023	2022
Legal reserve	$ 225,005	$ 172,415		
Special reserve	18,246	45,083		
Reverse special reserve	(45,083)	(153,820)		
Cash dividends	1,337,451	1,017,216	$ 1.42	$ 1.08

The appropriation of earnings for 2024, which were proposed by the Company's board of directors on March 27, 2025, were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 236,144	
Special reserve	-	
Reverse special reserve	(18,246)	
Cash dividends	1,299,777	$ 1.38

The appropriation of earnings for 2024 are subject to the resolution of the shareholders in their meeting to be held in May 2025.

23. REVENUE

a. Sales revenue

	For the Year Ended December 31	
	2024	2023
Aircraft/Vehicle Maintenance	$ 23,672,053	$ 23,337,164
Aero/Industrial Engine	13,964,095	11,862,341
Industrial Technology Services	1,610,650	3,811,050
	$ 39,246,798	$ 39,010,555

Based on the execution status of customer contracts, the Company estimates the potential overdue delivery penalty amounts. The amounts recognized are $737,636 thousand and $394,566 thousand in 2024 and 2023, respectively, and are recorded as a reduction in sales revenue. In the future, adjustments will be made based on the outcome of negotiations to seek penalty exemptions due to force majeure factors.

b. Contract balances

	December 31, 2024	December 31, 2023	January 1, 2023
Contract assets			
Aircraft/Vehicle Maintenance	$ 4,955,859	$ 540,735	$ 458,322
Others	-	844,388	1,062,657
	$ 4,955,859	$ 1,385,123	$ 1,520,979
Contract liabilities	$ 9,866	$ 1,094,817	$ 1,965,971
Aircraft/Vehicle Maintenance	41,168	30,776	189,928
Others			
	$ 51,034	$ 1,125,593	$ 2,155,899

The Company measures the loss allowance for contract assets at an amount equal to lifetime ECLs. The contract assets will be transferred to accounts receivable when the corresponding invoice is billed to the client, and the contract assets have substantially the same risk characteristics as the trade receivables. Therefore, the Company concluded that the expected loss rates for trade receivables can be applied to the contract assets.

	December 31	
	2024	2023
Expected credit loss rate	0%	0%
Gross carrying amount	$ 4,955,859	$ 1,385,123
Allowance for impairment loss (Lifetime ECLs)	-	-
	$ 4,955,859	$ 1,385,123

c. Assets related to contract costs

	December 31	
	2024	2023
Incremental costs of obtaining a contract	$ -	$ 177,342

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

24. NET PROFIT

a. Other income

	For the Year Ended December 31	
	2024	2023
Subsidy income	$ 45,922	$ 88,837
Remedy income	11,167	30,492
Others	36,066	36,517
	$ 93,155	$ 155,846

b. Other gains and losses

	For the Year Ended December 31	
	2024	2023
Impairment loss (Note 14)	$ (23,320)	$ (149,524)
Net foreign exchange gains (losses)	384,654	(56,737)
Handling fee	(24,279)	(15,803)
Loss on disposal of property, plant and equipment	(2)	-
Others	(98,979)	(95,611)
	$ 238,074	$ (317,675)

The Company recognized an impairment loss of $23,320 thousand on prepaid equipment in June 2024 because the equipment purchased did not meet the acceptance criteria and the contract was terminated in default. The Company expects that future cash inflows from the production of the equipment will decrease, and the recoverable amount of the prepaid equipment will be less than the carrying amount. The Company used the value in use as the recoverable amount of this prepaid equipment. The impairment loss was included in other gains and losses in the consolidated statements of income.

The Company estimated that expected future cash flows from non-recurring costs of projects have decreased. The Company carried out a review of the recoverable amount of non-recurring costs of projects and determined that the carrying amount exceeded the recoverable amount. The review led to the recognition of an impairment loss of $149,524 thousand for the years ended December 31, 2023, please refer to Note 14 “intangible assets”.

c. Employee benefits, depreciation and amortization

	Operating Cost	Operating Expense	Non-operating Expense	Transfer to Developing Intangible Assets	Capital cost	Total
For the Year Ended December 31, 2024						
Employee benefits expense						
Salaries expense	$ 5,488,930	$ 554,051	$ -	$ 28,341	$ 404	$ 6,031,726
Retirement benefits						
Defined contribution plans	175,736	22,163	-	1,149	14	199,062
Defined benefit plans	298,993	37,708	-	1,955	24	338,680
Remuneration of directors	-	18,202	-	-	-	18,202
Labor and health insurance	376,955	32,522	72,425	2,129	32	484,063
Other employee benefits	62,190	5,323	11,823	21	-	79,357
Depreciation expense	1,253,491	49,746	2,041	9,817	137	1,315,232
Amortization expense	358,449	14,400	-	739	7	373,595
For the Year Ended December 31, 2023						
Employee benefits expense						
Salaries expense	5,431,603	596,259	-	59,558	798	6,088,218
Retirement benefits						
Defined contribution plans	114,800	15,776	-	1,771	25	132,372
Defined benefit plans	313,594	43,094	-	4,838	67	361,593
Remuneration of directors	-	18,524	-	-	-	18,524
Labor and health insurance	370,711	35,960	72,252	4,481	61	483,465
Other employee benefits	60,460	5,834	11,651	42	1	77,988
Depreciation expense	1,184,000	63,163	1,604	20,562	478	1,269,807
Amortization expense	220,721	7,780	-	1,214	3	229,718

As of December 31, 2024 and 2023, the Company's number of employees was 5,246 and 5,407, respectively, and there were 7 and 6, respectively, non-employee directors. The head count basis was the same as the basis of employee benefits expense.

In 2024 and 2023, the Company's average employee benefits expense was $1,361 thousand and $1,323 thousand, respectively, and the average employee salary expense was $1,151 thousand and $1,127 thousand, respectively. The average employee salary increased by 2.1% in 2024.

Under the dividends policy as set forth in the Company's Articles of Incorporation, distribution of remuneration of directors are subject to the approval of the remuneration committee and the board of directors. When the directors of the Company perform their duties, the board of directors are authorized to discuss the domestic and foreign industry standards. If the Company makes a profit during the year, the remuneration shall be distributed in accordance with Article 28 of the Company's Articles of Incorporation.

The compensation of the Company's managers and employees includes salary, bonuses and compensation of employees. The compensation policy is based on academic qualifications and experience, with reference to the salary level of the same industry, position held in the Company; in addition, employees are evaluated based on their responsibilities, achievements, contributions, and also annual company operating results.

d. Compensation of employees and remuneration of directors

According to the Company's Articles, the Company accrues distribution of compensation of employees and remuneration of directors at the rates no less than 0.58% and no higher than 4.65%, respectively, of net profit before income tax. The compensation of employees and remuneration of directors for 2024 and 2023 which were resolved by the board of directors on March 27, 2025 and March 26, 2024 are as follows:

	For the Year Ended December 31			
	2024		2023	
	The Proportion of Estimate	Amount of Money	The Proportion of Estimate	Amount of Money
Compensation of employees	4.65%	$ 124,666	4.65%	$ 127,108
Remuneration of directors	0.58%	15,550	0.58%	15,855

If there is a change in the amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the parent company only financial statements for the years ended December 31, 2023 and 2022.

Information on the compensation of employees and the remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

e. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2024	2023
Foreign exchange gains	$ 1,077,809	$ 873,713
Foreign exchange losses	(693,155)	(930,450)
Net gains (losses)	$ 384,654	$ (56,737)

25. INCOME TAXES

a. Tax expense recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2024	2023
Current tax		
In respect of the current year	$ 376,493	$ 552,686
Income tax on unappropriated earnings	-	8,204
Adjustments for prior years	1,540	(94)
	378,033	560,796
Deferred tax		
In respect of the current year	134,888	(53,182)
Income tax expense recognized in profit or loss	$ 512,921	$ 507,614

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

	For the Year Ended December 31	
	2024	2023
Income tax expense calculated at the statutory rate (20%)	$ 536,198	$ 546,703
Income tax on unappropriated earnings	-	8,204
Nondeductible expenses in determining taxable income	57	48
Investment credits	(23,149)	(26,518)
Temporary differences	444	(18,608)
Tax-exempt income	(2,169)	(2,121)
Adjustments for prior years' tax	1,540	(94)
Income tax expense recognized in profit or loss	$ 512,921	$ 507,614

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. When calculating the tax on unappropriated earnings, the Company only deducts the amount of the unappropriated earnings that has been reinvested in capital expenditure.

According to the "Regulations Governing Application of Tax Credits for Corporate or Limited Partnership in Smart Machines and 5th Generation Mobile Networks", the Company deducted the income tax payable within the 5% limit of the investment in smart machinery and did not exceed 30% of the income tax payable in the current year.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2024	2023
Deferred tax		
Exchange differences on translation of the financial statements of foreign operations	$ 26,902	$ (25,253)
Remeasurement of defined benefit plans	51,766	6,037
	$ 78,668	$ (19,216)

c. Deferred tax assets and liabilities

	For the Year Ended December 31, 2024			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Intangible assets	$ 151,377	$ (9,169)	$ -	$ 142,208
Provisions	157,381	(5,362)	-	152,019
Payables for annual leave	46,633	812	-	47,445
Property, plant and equipment	5,252	4,664	-	9,916
Net loss on foreign currency exchange	35,746	(35,746)	-	-
Others	7	(2)	-	5
	$ 396,396	$ (44,803)	$ -	$ 351,593
Deferred tax liabilities				
Temporary differences				
Investments accounted for using the equity method	$ 300,905	$ 70,019	$ -	$ 370,924
Net gain on foreign currency exchange	-	20,066	-	20,066
Defined benefit plans	37,989	-	51,766	89,755
Exchange differences on foreign operations	2,808	-	26,902	29,710
	$ 341,702	$ 90,085	$ 78,668	$ 510,455

	For the Year Ended December 31, 2023			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Intangible assets	$ 121,823	$ 29,554	$ -	$ 151,377
Provisions	100,051	57,330	-	157,381
Payables for annual leave	46,780	(147)	-	46,633
Net loss on foreign currency exchange	2,887	32,859	-	35,746
Property, plant and equipment	5,252	-	-	5,252
Others	5	2	-	7
	$ 276,798	$ 119,598	$ -	$ 396,396

(Continued)

Deferred tax liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
	For the Year Ended December 31, 2023			
Temporary differences				
Investments accounted for using the equity method	$ 234,489	$ 66,416	$ -	$ 300,905
Defined benefit plans	31,952	-	6,037	37,989
Exchange differences on foreign operations	28,061	-	(25,253)	2,808
	$ 294,502	$ 66,416	$ (19,216)	$ 341,702

(Concluded)

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

	December 31 2024	December 31 2023
Deductible temporary differences		
Inventories	$ 2,439,768	$ 2,437,545

e. Income tax assessments

Income tax returns of the Company through 2022 have been examined and cleared by the tax authorities.

26. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31 2024	For the Year Ended December 31 2023
Basic earnings per share	$ 2.30	$ 2.36
Diluted earnings per share	$ 2.29	$ 2.36

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

	For the Year Ended December 31	
	2024	**2023**
Net Profit for the Year		
Earnings used in the computation of basic earnings per share (Earnings used in the computation of diluted earnings per share)	$ 2,168,067	$ 2,225,899
Weighted average number of ordinary shares outstanding (in thousands of shares)		
Weighted average number of ordinary shares used in computation of basic earnings per share	941,867	941,867
Effect of potentially dilutive ordinary shares	3,390	2,895
Weighted average number of ordinary shares used in the computation of diluted earnings per share	945,257	944,762

The Company may settle compensation or bonuses to employees in cash or shares; therefore, the Company assumes that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares, if dilutive, will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. Such dilutive effect of the potential shares should be included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

27. CAPITAL MANAGEMENT

The Company must maintain adequate capital necessary for profitable operations and business expansion, equipment upgrade, participation in international new aircraft developing and engine development cooperation project. Therefore, the Company manages its capital to ensure that the Company will have enough financial resources to respond accordingly to its working capital requirements at least for the next 12 months, capital expenditures, participation in international new aircraft developing and repayments of liabilities.

The capital structure of the Company consists of net debt (long-term and short-term borrowings offset by cash and cash equivalents and other financial assets) and equity (comprising ordinary shares, capital surplus, retained earnings and other equity).

28. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The management believes that carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values or their fair values cannot be reliably measured.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
December 31, 2024				
Financial assets at FVTOCI				
Investments in equity instruments				
Unlisted shares	$ -	$ -	$ 24,773	$ 24,773
December 31, 2023				
Financial assets at FVTOCI				
Investments in equity instruments				
Emerging market shares	$ 22,330	$ -	$ -	$ 22,330
Unlisted shares	-	-	27,389	27,389
	$ 22,330	$ -	$ 27,389	$ 49,719

There were no transfers between Levels 1 and 2 for the years ended December 31, 2024 and 2023, respectively.

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

Financial Assets	Financial Assets at FVTOCI Equity Instruments
For the Year Ended December 31, 2024	
Balance at January 1, 2024	$ 27,389
Unrealized loss on investments in equity instruments at fair value through other comprehensive loss	(2,616)
Balance at December 31, 2024	$ 24,773
For the Year Ended December 31, 2023	
Balance at January 1, 2023	$ 29,568
Unrealized loss on investments in equity instruments at fair value through other comprehensive loss	(2,179)
Balance at December 31, 2023	$ 27,389

3) Valuation techniques and inputs applied for Level 3 fair value measurement

The marketable securities of unlisted shares held by the Company is estimated using the evaluation method, when there is no market price for reference. The fair value of unlisted shares was evaluated using asset-based approach of the investees.

c. Categories of financial instruments

	December 31	
	2024	**2023**
<u>Financial assets</u>		
Financial assets at amortized cost	$ 13,876,216	$ 11,705,568
Financial assets at FVTOCI - non-current	24,773	49,719
<u>Financial liabilities</u>		
Amortized cost	26,107,309	20,351,266

Financial assets at amortized cost comprise cash and cash equivalents, notes receivable, trade receivables, other receivables, overdue receivables, other financial assets and refundable deposits.

Financial liabilities at amortized cost comprise short-term borrowings, short-term bills payable, trade payables, other payables (excluded payables for salaries and bonuses, payables for annual leave and payables for compensation of employees and remuneration of directors), bonds payable (included not later than one year), other financial liabilities (accounted at other current liabilities), long-term borrowings (included not later than one year) and guarantee deposits.

d. Financial risk management objectives and policies

The Company’s major financial risk management objectives are to manage the market risk (including currency risk and interest rate risk), credit risk and liquidity risk of operating activities. The Company minimizes the unfavorable effects of these risks by identification and assessment of the risks and by applying aversion methods to the uncertainties.

The Company’s financial targets including its investment plan for property, plant and equipment are laid out in its “Five-Year Business Plan”, which were approved by the board of directors. The financial plan includes risk management policies and the division of responsibilities.

The Company’s major financial instruments include cash and cash equivalents, trade receivable, short-term borrowings, short-term bills payable, trade payables, bonds payable (included not later than one year) and long-term borrowings (included not later than one year). The financial department coordinates access to domestic financial markets.

1) Market risk

The Company’s activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There had been no change to the Company’s exposure to market risks or the manner in which these risks were managed and measured.

<u>Foreign currency risk</u>

The Company minimizes its currency exposure by natural hedging. Foreign currency operation performance is reported to the key management personnel every quarter and the expected foreign currency and operation direction are set for the next quarter.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 33.

Sensitivity analysis

The Company was mainly exposed to the US dollar. The Company's sensitivity to an increase or decrease of 0.5% in New Taiwan dollars against the relevant foreign currencies means profit before income tax would increase/decrease by $31,255 thousand and $27,666 thousand for the years ended December 31, 2024 and 2023, respectively. The sensitivity rate of 0.5% represents the management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, with the foreign currency rates at the end of the reporting period adjusted for a 0.5% change.

Interest rate risk

The Company's interest risk is evaluated in terms of short-term borrowings, short-term bills payable, bonds payable (included not later than one year), long-term borrowings (included not later than one year) and lease liabilities. Borrowing and repayment require budget planning in advance to control the interest risk. Interest rates of short-term loans from different financial organizations are compared and lowest one will be selected.

Sensitivity analysis

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2024 and 2023 would have decreased/increased by $21,250 thousand and $1,250 thousand, respectively, which was mainly attributable to the Company's exposure to interest rates on its variable-rate bank borrowings. A 25 basis points increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The possible financial loss would equal to the carrying amount of the recognized financial assets as stated in the balance sheets. However, the Company is executing forward exchange only with the correspondent financial institutions, and they are creditworthy with no credit risks.

The Company's dealing counterparties are national defence organizations and international aerospace corporations, and they are creditworthy with extreme low risk of bankruptcy. The Company's key management checks the accounts receivable every month, and instructs the project team to collect the past due amounts.

The Company's concentration of credit risk by geographical location was mainly in the United States, which accounted for 41% and 50% of the total trade receivables as of December 31, 2024 and 2023, respectively.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2024 and 2023, the Company had available unutilized bank loan facilities as set out in (b) below.

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

The following tables details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

Non-derivative Financial Liabilities	**Less than 1 Year**	**1 to 5 Year**	**More than 5 Year**
December 31, 2024			
Non-interest bearing liabilities	$ 6,544,973	$ 272,094	$ -
Lease liabilities	135,503	355,766	1,392,440
Variable interest rate liabilities	5,500,000	3,000,000	-
Fixed interest rate liabilities	7,350,000	3,450,000	-
	$ 19,530,476	$ 7,077,860	$ 1,392,440
December 31, 2023			
Non-interest bearing liabilities	$ 5,697,631	$ 262,516	$ -
Lease liabilities	127,401	412,957	1,409,765
Variable interest rate liabilities	500,000	-	-
Fixed interest rate liabilities	10,450,000	3,450,000	-
	$ 16,755,032	$ 4,125,473	$ 1,409,765

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Financing facilities (reviewed annually)

	December 31	
	2024	**2023**
Unsecured bank overdraft facility:		
Amount unused	$ 16,232,507	$ 20,947,741

29. TRANSACTIONS WITH RELATED PARTIES

Besides as disclosed elsewhere in the other notes, details of transactions between the Company and related parties are disclosed below.

a. Related party name and category

Related Party Name	Relationship with the Company
AIDC USA	Subsidiary
HYCO	Subsidiary
ITEC	Associate
JSPCO	Associate
Ministry of Economic Affairs	Corporate director

b. Sales of goods

	For the Year Ended December 31	
Related Party Name	2024	2023
ITEC	$ 2,599,115	$ 2,128,183
HYCO	4,604	10,526
JSPCO	35	301
	$ 2,603,754	$ 2,139,010

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

Item	Collection Terms
Engine	90 days after the invoice date
Backup parts	Offset accounts receivable with accounts payable
Rental and living aids	60 days after the invoice date

There is no unrelated party with a similar product item to compare the engine (parts), rentals and living aid sales price. There is no significant difference between the sale price and conditions for related parties and non-related parties, and the collection term is 1-2 months.

c. Purchase of goods

	For the Year Ended December 31	
Related Party Name	2024	2023
ITEC	$ 1,302,009	$ 584,708
AIDC USA	5,382	3,670
	$ 1,307,391	$ 588,378

The Company's buying prices from related party are based on contract. The payment term in principle is 1-2 months or paying after offset of accounts receivable. There are no unrelated parties with similar product items that can serve as basis of comparison of prices and terms.

d. Manufacturing expenses

Related Party Name	For the Year Ended December 31 2024	2023
JSPCO	$ 85,583	$ 79,141
AIDC USA	29,202	30,914
ITEC	11,762	9,806
HYCO	6,353	8,138
	$ 132,900	$ 127,999

e. Operating expenses

Related Party Name	For the Year Ended December 31 2024	2023
AIDC USA	$ 35,396	$ 27,071

f. Receivables from related parties

Related Party Name	December 31 2024	2023
ITEC	$ 518,351	$ 256,691
HYCO	293	257
	$ 518,644	$ 256,948

The outstanding trade receivables from related parties are unsecured and without recognition of expected credit loss.

g. Other receivables

Related Party Name	December 31 2024	2023
HYCO	$ 6	$ 9

h. Other current assets

Related Party Name	December 31 2024	2023
AIDC USA	$ 4,374	$ -
HYCO	848	-
ITEC	-	3,529
	$ 5,222	$ 3,529

i. Payables to related parties

Related Party Name	December 31 2024	December 31 2023
ITEC	$ 74,232	$ 27,891
AIDC USA	1,656	481
	$ 75,888	$ 28,372

The outstanding trade payables to related parties are unsecured.

j. Other payables

Related Party Name	December 31 2024	December 31 2023
AIDC USA	$ 30,176	$ 16,099
JSPCO	4,666	5,503
HYCO	1,558	303
	$ 36,400	$ 21,905

k. Guarantee deposits

Related Party Name	December 31 2024	December 31 2023
HYCO	$ 55	$ 55

l. Remuneration of key management personnel

	For the Year Ended December 31 2024	For the Year Ended December 31 2023
Short-term employee benefits	$ 35,338	$ 32,956
Post-employment benefits	1,796	1,737
	$ 37,134	$ 34,693

The remuneration of directors and key executives, as determined by the remuneration committee, is based on the performance of individuals and market trends.

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	December 31 2024	December 31 2023
Property, plant and equipment	$ 1,686,719	$ 1,760,121
Other financial assets - current	4,807	4,386
Other financial assets - non-current	8,057	42,008
	$ 1,699,583	$ 1,806,515

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

a. As of December 31, 2024 and 2023, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately $625,688 thousand and $750,266 thousand, respectively.

b. As of December 31, 2024 and 2023, unpaid contract for purchases of raw materials and machinery and equipment amounted to approximately $25,558,275 thousand and $27,706,062 thousand, respectively.

32. OTHER ITEMS

On February 15, 2023, the president of the ROC announced the amendments to the “Climate Change Response Act”, which added the provision of carbon fee collection. Subsequently, on August 29, 2024, the Ministry of Environment announced the “Regulations Governing the Collection of Carbon Fees”, “Regulations for Administration of Voluntary Reduction Plans” and “Designated Greenhouse Gas Reduction Goal for Entities Subject to Carbon Fees” and the carbon fee rate on October 21, 2024. The fees will be levied starting from January 1, 2025 and will pay them in May 2026.

Based on the emissions of the Company in 2024, the Company expects that some factories will be the entities subject to carbon fees. The Group will recognize the provision of the carbon fees based on its actual emissions assessment in 2025.

33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company’s significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

	December 31					
	2024			2023		
	Foreign Currency	Exchange Rate	New Taiwan Dollars	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
USD	$ 241,382	32.785	$ 7,913,709	$ 219,065	30.705	$ 6,726,391
Non-monetary items						
USD	70,590	32.785	2,314,306	59,589	30.705	1,829,686
<u>Financial liabilities</u>						
Monetary items						
USD	50,716	32.785	1,662,724	38,861	30.705	1,193,227

The significant unrealized foreign exchange losses were as follows:

	For the Year Ended December 31			
	2024		2023	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gain	Exchange Rate	Net Foreign Exchange Loss
USD	32.785	$ 99,733	30.705	$ (178,746)

34. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others. (None)

2) Endorsements/guarantees provided. (None)

3) Marketable securities held (excluding investment in subsidiary, associates and joint controlled entities). (Table 1)

4) Marketable securities acquired and disposed at costs or prices at least $300 million or 20% of the paid-in capital. (None)

5) Acquisition of individual real estate at costs of at least $300 million or 20% of the paid-in capital. (Table 2)

6) Disposal of individual real estate at prices of at least $300 million or 20% of the paid-in capital. (None)

7) Total purchases from or sales to related parties amounting to at least $100 million or 20% of the paid-in capital. (Table 3)

8) Receivables from related parties amounting to at least $100 million or 20% of the paid-in capital. (Table 4)

9) Trading in derivative instruments. (None)

10) Information on investees. (Table 5)

b. Information on investments in mainland China. (None)

c. Information of major shareholders：List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 6)

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars or Shares, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2024			
				Number of Shares	Carrying Amount	Percentage of Ownership	Fair Value
The Company	Share capital						
	AAI	The Company is a corporate director.	Financial assets at FVTOCI - non-current	4,968	$ 22,496	13.09%	$ 22,496
	Metro Ltd.	The Company is a corporate director.	Financial assets at FVTOCI - non-current	300	2,277	6%	2,277

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

TABLE 2

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
AIDC USA	Tempe Plant	August 12, 2024 (Note 1)	US$10,283 thousand (Note 2)	According to the contract	Integrity Plant, LLC	-	-	-	-	$ -	Refer to the appraised (US$10,300 thousand) and to negotiated price	Construction for own use	-

Note 1: The board of directors approved an investment plan to purchase plant in the United States.

Note 2: The construction was tranferred to Property, plant and equipment in September 2024.

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars)

Purchaser or Seller	Related Party	Nature of Relationship with the Purchaser or Seller	Transaction Details				Abnormal Transaction		Notes and Accounts Receivable (Payable)		Note
			Purchases (Sales)	Amount	% to Total	Collection Terms	Unit Price	Collection Terms	Ending Balance	% to Total	
The Company	ITEC	Associate	Sales Purchases	$ (2,599,115) 1,302,009	(7) 6	Note	Note	Note	$ 518,351 (74,232)	5 (2)	

Note: Information is provided in Note 29 to the Consolidated Financial Statements.

TABLE 4

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	ITEC	Associate	$ 518,351	6.71	$ -	-	$ 518,351	$ -

TABLE 5

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars or Shares, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2024			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2024	December 31, 2023	Shares	%	Carrying Amount			
The Company	AIDC USA	Delaware, USA	Provide program management and relevant services for purchasing and selling raw materials, parts and components of aircraft, engines and subsystems.	$ 288,661	$ 288,661	-	100%	$ 2,314,306	$ 386,100	$ 350,099 (Note)	Subsidiary
	HYCO	Taichung City, ROC	Venue and premises leasing, retail of cultural and creative commodities and medical aids, catering and education and training activities	15,000	15,000	1,500,000	100%	27,320	10,206	10,221 (Note)	Subsidiary
	JSPCO	Kaohsiung City, ROC	Design, maintain and manufacture of moulds, jigs, fixtures and mechanical parts	50,000	50,000	5,000,000	20%	15,958	1,008	219	Associate
AIDC USA	ITEC	Delaware, USA	Development and production engines of aircraft	728	728	-	22.05%	1,042,129	1,992,488	403,342	Associate

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

TABLE 6

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2024

Name of Major Shareholder	Shares	
	Number of Shares (In Thousands)	Percentage of Ownership (%)
Ministry of Economic Affairs	331,302	35.17

Note: The information of major shareholders is based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (included treasury shares) by the Company as of December 31, 2024. The share capital in consolidated financial report may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Foreign Currency	Exchange Rate	Amount
Cash on hand and petty cash			$ 551
Cash in banks			
Checking accounts			1,526
Demand deposits			1,731,703
Foreign currency deposits			
USD	6,302	32.785	206,611
GBP	22	41.19	906
CHF	24	36.265	870
HKD	193	4.222	815
CAD	10	22.82	221
EUR	5	34.14	171
JPY	765	0.2099	161
SGD	1	24.13	11
			1,942,995
			$ 1,943,546

STATEMENT 2

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENT OF TRADE RECEIVABLES
DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars)

Client Name	Amount
Related party	
ITEC	$ 518,351
HYCO	293
	$ 518,644
Unrelated party	
200000005	$ 3,157,569
100001031	2,544,053
200000076	1,186,482
Others (Note)	2,912,051
	9,800,155
Less: Allowance for impairment loss	(1,597)
	$ 9,798,558

Note: The amount of individual client included in others does not exceed 5% of the account balance.

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENT OF INVENTORIES
DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars)

Item	Amount	
	Cost	Market Price (Note)
Raw materials	$ 10,629,044	$ 12,065,202
Work in progress	6,219,505	6,813,382
Inventory in transit	538,441	538,441
	17,386,990	$ 19,417,475
Less: Inventory write-downs	(2,439,768)	
	$ 14,947,222	

Note: Net realizable value is used in the valuation of inventories.

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars)

Investees	Balance at January 1, 2024		Additions		Deductions (Note)		Changes in Capital Surplus From Investments in Associate Accounted for Using the Equity Method	Share of Profit of Subsidiaries and Associates in Using the Equity Method	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Profit	Balance at December 31, 2024			Net Assets Value
	Shares (thousands)	Amount	Shares (thousands)	Amount	Shares (thousands)	Amount					Shares (thousands)	Ownership	Amount	
AIDC USA	-	$ 1,829,686	-	$ -	-	$ -	$ -	$ 350,099	$ 134,512	$ 9	-	100%	$ 2,314,306	$ 2,314,306
HYCO	1,500	25,199	-	-	-	8,100	-	10,221	-	-	1,500	100%	27,320	27,320
JSPCO	5,000	9,234	-	-	-	-	6,505	219	-	-	5,000	20.00%	15,958	15,958
		$ 1,864,119		$ -		$ 8,100	$ 6,505	$ 360,539	$ 134,512	$ 9			$ 2,357,584	$ 2,357,584

Note: It refers to the receipt of cash dividend income.

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars)

	Balance at January 1, 2024	Additions	Deductions	Balance at December 31, 2024
Cost				
Land	$ 1,938,040	$ 42,584	$ (7,311)	$ 1,973,313
Buildings	9,616	13,588	(9,616)	13,588
Machinery and equipment	643	1,680	-	2,323
Transportation Equipment	-	6,783	-	6,783
Other equipment	10,062	106	(221)	9,947
	1,958,361	$ 64,741	$ (17,148)	2,005,954
Accumulated depreciation				
Land	452,249	$ 110,498	$ (5,686)	557,061
Buildings	9,343	4,503	(9,616)	4,230
Machinery and equipment	251	410	-	661
Transportation Equipment	-	699	-	699
Other equipment	1,041	4,995	(221)	5,815
	462,884	$ 121,105	$ (15,523)	568,466
	$ 1,495,477			$ 1,437,488

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENT OF SHORT-TERM BANK BORROWINGS
DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars)

Borrowing Type and Bank	Maturity Date	Interest Rates (%)	Total
Unsecured borrowings			
Bank of Yuanta Commercial-Taichung Branch	2025.01.09	1.8	$ 900,000
Bank of Yuanta Commercial-Taichung Branch	2025.01.10	1.8	100,000
Bank of Cooperative-Taichung Branch	2025.01.29	1.74	100,000
Bank of Cooperative-Taichung Branch	2025.01.29	1.74	800,000
Bank of Cathay United Commercial-Taichung Branch	2025.01.10	1.846	800,000
Bank of Nissho Mizuho-Taichung Branch	2025.03.26	1.798	500,000
Bank of Taiwan-Taichung Branch	2025.01.06	1.8024	2,000,000
Bank of Taiwan-Taichung Branch	2025.03.06	1.8175	300,000
Bank of Taiwan-Taichung Branch	2025.03.06	1.8175	200,000
The Export-Import Bank of the Republic of China - Taichung Branch	2025.06.25	1.743	700,000
			$ 6,400,000

STATEMENT 7

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENT OF SHORT-TERM BILLS PAYABLE
DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars)

Guarantee Agency	Release Date	Expiry Date	Interest Rate	Total
Mega Bills Finance Co., Ltd. - Taichung Branch	2024.12.06	2025.02.04	1.80	$ 900,000
Mega Bills Finance Co., Ltd. - Taichung Branch	2024.11.08	2025.01.07	1.75	600,000
Mega Bills Finance Co., Ltd. - Taichung Branch	2024.12.09	2025.02.10	1.79	300,000
Chinatrust Commercial Bank	2024.11.08	2025.01.07	1.73	150,000
China Bills Finance Corporation	2024.10.25	2025.01.22	1.72	300,000
China Bills Finance Corporation	2024.11.08	2025.01.21	1.77	200,000
Grand Bills Finance Corporation	2024.11.11	2025.01.07	1.765	100,000
Yuanta Commercial Bank - Financial Department	2024.11.08	2025.01.21	1.74	200,000
Yuanta Commercial Bank - Financial Department	2024.11.22	2025.02.20	1.79	1,000,000
Yuanta Commercial Bank - Financial Department	2024.12.13	2025.02.13	1.75	400,000
Yuanta Commercial Bank - Financial Department	2024.11.26	2025.01.15	1.76	700,000
Yuanta Commercial Bank - Financial Department	2024.10.30	2025.01.22	1.74	600,000
Yuanta Commercial Bank - Financial Department	2024.10.08	2025.01.06	1.74	1,000,000
				6,450,000
Less: Unamortized discount on bills payable				(7,612)
				$ 6,442,388

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENT OF TRADE PAYABLES
DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Related party	
ITEC	$ 74,232
AIDC USA	1,656
	$ 75,888
Unrelated party	
Company 201583	$ 157,549
Others (Note)	2,807,612
	$ 2,965,161

Note: The amount of individual vendor included in others does not exceed 5% of the account balance.

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENT OF LEASE LIABILITIES
DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars)

Item	Lease Term	Discount Rate (%)	Amount
Land	2020.01.01-2027.12.31	1.6	$ 221,068
Land	2020.01.01-2056.12.31	1.6	452,363
Land	2020.01.01-2051.06.30	1.6	123,738
Land	2021.07.01-2052.12.31	1.6	4,817
Land	2020.01.01-2060.06.30	1.6	174,573
Land	2020.01.01-2060.06.30	1.6	501,666
Building	2024.01.01-2026.12.31	1.95	1,893
Building	2024.02.01-2027.01.31	1.95	7,606
Machinery and equipment	2022.02.11-2026.12.31	1.5	269
Machinery and equipment	2024.01.01-2028.12.31	1.95	611
Machinery and equipment	2024.08.01-2027.07.31	1.9	798
Transportation	2024.04.01-2027.03.31	1.95	592
Transportation	2024.07.01-2027.06.30	1.95	1,625
Transportation	2024.09.01-2029.08.31	2.2	3,696
Other equipment	2023.11.01-2025.10.31	1.75	4,143
Other equipment	2024.01.01-2025.05.31	1.95	31
			$ 1,499,489

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENT OF LONG-TERM LOANS
DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars)

Bank	Borrowing Period	Repayment Method	Annual Interest Rate (%)	Due within One Year	Due after One Year	Total
Credit borrowing						
Bank of Cooperative-Taichung Branch	2024.12.13-2027.12.13	Interest is paid monthly, with the first disbursement date serving as the interest payment date. Starting from the second year, repayments will be made quarterly based on the actual disbursed amount, with a total of 8 repayments over 2 years to complete the principal repayment.	1.785	$ -	$ 3,000,000	$ 3,000,000

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENT OF COST OF GOODS SOLD
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars)

Item	Amount
Raw materials at beginning of year	$ 11,983,032
Add: Raw material purchased	21,495,851
Less: Raw material at end of year	(11,167,485)
Sale of raw material	(4,165,813)
Disposal of raw material	(19,986)
Others	(2,350,893)
Raw material used	15,774,706
Direct labor	2,969,672
Manufacturing expenses	12,927,097
Manufacturing cost	31,671,475
Add: Work in process at beginning of year	5,967,868
Less: Work in process at end of year	(6,219,505)
Disposal of work in progress	(9,284)
Others	72,272
Cost of finished goods	31,482,826
Add: Sale of raw material	4,165,813
Loss on decline in value of inventory	2,224
Loss on disposal of inventories	29,270
Less: Indemnity income	(54,351)
Income from sales of scraps	(20,010)
Others	(9)
Cost of goods sold	$ 35,605,763

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars)

Item	Selling and Marketing Expense	General and Administrative Expense	Research and Development Expense	Expected Credit Gain	Total
Payroll	$ 106,653	$ 368,065	$ 157,406	$ -	$ 632,124
Tax	103	133,473	2	-	133,578
Depreciation expense	3,164	9,120	37,462	-	49,746
Others (Note)	55,301	137,385	429,291	(164)	621,813
Total	$ 165,221	$ 648,043	$ 624,161	$ (164)	$ 1,437,261

Note: The amount of each item in others does not exceed 5% of the account balance.