

**Aerospace Industrial Development
Corporation and Subsidiary**

**Consolidated Financial Statements for the
Three Months Ended March 31, 2024 and 2023 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Aerospace Industrial Development Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of Aerospace Industrial Development Corporation and its subsidiary (collectively referred to as the "Group") as of March 31, 2024 and 2023 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three month then ended, and related notes, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As disclosed in Note 11 to the consolidated financial statements, the financial statements which were used as bases of investments accounted for by the equity method included in the consolidated financial statements referred to in the first paragraph were not reviewed. The carrying amounts of the related investments as of March 31, 2024 and 2023 were NT\$1,206,879 thousand and NT\$983,968 thousand, respectively. For the three months ended March 31, 2024 and 2023, the amounts of the related share of profit of associates were NT\$118,603 thousand and NT\$119,180 thousand, respectively.

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements which were used as bases of the investment accounted for using equity method as described in the basis for qualified conclusion been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the consolidated financial position of the Group as of March 31, 2024 and 2023, and of its consolidated financial performance and its consolidated cash flows for the three month periods ended March 31, 2024 and 2023 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 13, 2024

Notice to Readers

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

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

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2024		December 31, 2023		March 31, 2023	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 1,366,750	3	\$ 3,367,456	8	\$ 1,086,954	3
Contract assets - current (Note 23)	2,232,270	5	1,385,123	3	3,317,847	7
Notes receivable (Note 8)	1,680	-	11,595	-	18,775	-
Trade receivables from unrelated parties (Note 8)	9,685,077	22	7,396,361	17	8,316,558	19
Trade receivables from related parties (Note 29)	386,343	1	259,722	1	299,602	1
Other receivables (Note 8)	23,222	-	41,708	-	58,543	-
Inventories (Note 9)	15,207,965	34	15,515,727	35	15,256,401	34
Other financial asset - current (Notes 15 and 30)	902,141	2	1,285,140	3	1,213,833	3
Incremental costs of obtaining a contract - current (Notes 23)	177,342	1	177,342	-	154,465	-
Other current assets (Notes 16 and 29)	<u>1,013,377</u>	<u>2</u>	<u>998,443</u>	<u>2</u>	<u>1,520,149</u>	<u>3</u>
Total current assets	<u>30,996,167</u>	<u>70</u>	<u>30,438,617</u>	<u>69</u>	<u>31,243,127</u>	<u>70</u>
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income - non-current (Note 7)	45,347	-	49,719	-	47,920	-
Investment accounted for using equity method (Note 11)	1,206,879	3	1,069,500	3	983,968	2
Property, plant and equipment (Notes 12 and 30)	8,771,163	20	8,928,023	20	8,660,863	19
Right-of-use assets (Note 13)	1,518,672	3	1,496,517	3	1,575,779	4
Intangible assets (Note 14)	747,839	1	770,080	2	897,054	2
Deferred tax assets (Notes 4 and 25)	401,792	1	396,447	1	314,727	1
Prepayments for equipment	343,045	1	381,407	1	534,704	1
Net defined benefit assets - non-current (Notes 4 and 21)	304,403	1	189,944	1	324,389	1
Other financial asset - non-current (Notes 15 and 30)	8,057	-	42,008	-	41,844	-
Other non-current assets (Notes 8 and 16)	<u>104,699</u>	<u>-</u>	<u>100,319</u>	<u>-</u>	<u>75,250</u>	<u>-</u>
Total non-current assets	<u>13,451,896</u>	<u>30</u>	<u>13,423,964</u>	<u>31</u>	<u>13,456,498</u>	<u>30</u>
TOTAL	<u>\$ 44,448,063</u>	<u>100</u>	<u>\$ 43,862,581</u>	<u>100</u>	<u>\$ 44,699,625</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 17)	\$ 2,880,000	6	\$ 500,000	1	\$ 3,500,000	8
Short-term bills payable (Note 17)	5,245,231	12	7,444,470	17	4,696,925	10
Contract liabilities (Note 23)	57,861	-	1,126,421	3	48,152	-
Trade payables to unrelated parties	3,010,161	7	2,748,132	6	2,605,980	6
Trade payables to related parties (Note 29)	96,685	-	27,891	-	54,738	-
Other payables (Notes 19 and 29)	3,966,234	9	4,052,888	9	3,401,955	8
Current tax liabilities (Notes 4 and 25)	767,701	2	565,010	1	474,264	1
Provisions -current (Note 20)	843,130	2	817,072	2	553,982	1
Lease liabilities - current (Note 13)	111,427	-	103,904	-	105,317	-
Current portion of long-term borrowings and bonds payable (Notes 17 and 18)	2,999,627	7	2,999,426	7	3,650,000	8
Other current liabilities	<u>911,934</u>	<u>2</u>	<u>871,125</u>	<u>2</u>	<u>698,182</u>	<u>2</u>
Total current liabilities	<u>20,889,991</u>	<u>47</u>	<u>21,256,339</u>	<u>48</u>	<u>19,789,495</u>	<u>44</u>
NON-CURRENT LIABILITIES						
Bonds payable (Note 18)	3,447,381	8	3,447,223	8	6,445,573	14
Deferred tax liabilities (Notes 4 and 25)	392,889	1	341,702	1	312,293	1
Lease liabilities - non-current (Note 13)	1,490,413	3	1,447,876	3	1,541,909	3
Long-term deferred revenue	10,373	-	7,348	-	7,974	-
Guarantee deposits	<u>253,584</u>	<u>1</u>	<u>262,753</u>	<u>1</u>	<u>228,060</u>	<u>1</u>
Total non-current liabilities	<u>5,594,640</u>	<u>13</u>	<u>5,506,902</u>	<u>13</u>	<u>8,535,809</u>	<u>19</u>
Total liabilities	<u>26,484,631</u>	<u>60</u>	<u>26,763,241</u>	<u>61</u>	<u>28,325,304</u>	<u>63</u>
EQUITY						
Ordinary shares	9,418,671	21	9,418,671	21	9,418,671	21
Capital surplus	11,746	-	11,746	-	8,631	-
Retained earnings						
Legal reserve	1,374,269	3	1,374,269	3	1,201,854	3
Special reserve	1,946,538	4	1,946,538	5	2,055,275	5
Unappropriated earnings	5,170,519	12	4,366,362	10	3,740,874	8
Other equity	<u>41,689</u>	<u>-</u>	<u>(18,246)</u>	<u>-</u>	<u>(50,984)</u>	<u>-</u>
Total equity	<u>17,963,432</u>	<u>40</u>	<u>17,099,340</u>	<u>39</u>	<u>16,374,321</u>	<u>37</u>
TOTAL	<u>\$ 44,448,063</u>	<u>100</u>	<u>\$ 43,862,581</u>	<u>100</u>	<u>\$ 44,699,625</u>	<u>100</u>

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

(With Deloitte & Touche auditors' review report dated May 13, 2024)

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

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

	For the Three Months Ended March 31			
	2024		2023	
	Amount	%	Amount	%
SALES (Notes 23 and 29)	\$ 10,575,585	100	\$ 9,940,640	100
COST OF GOODS SOLD (Notes 9, 24 and 29)	<u>9,488,044</u>	<u>90</u>	<u>9,009,190</u>	<u>91</u>
GROSS PROFIT	<u>1,087,541</u>	<u>10</u>	<u>931,450</u>	<u>9</u>
OPERATING EXPENSES (Note 24)				
Selling and marketing expenses	45,336	-	37,282	-
General and administrative expenses	175,690	2	150,357	2
Research and development expenses	99,505	1	97,163	1
Expected credit loss (gain) (Note 8)	<u>(1,621)</u>	<u>-</u>	<u>685</u>	<u>-</u>
Total operating expenses	<u>318,910</u>	<u>3</u>	<u>285,487</u>	<u>3</u>
PROFIT FROM OPERATIONS	<u>768,631</u>	<u>7</u>	<u>645,963</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 24)	15,507	-	43,116	1
Other gains and losses (Note 24)	162,231	2	(62,787)	(1)
Share of profit of associates	118,603	1	119,180	1
Interest income	16,058	-	7,975	-
Finance costs	<u>(44,406)</u>	<u>-</u>	<u>(50,989)</u>	<u>-</u>
Total non-operating income and expenses	<u>267,993</u>	<u>3</u>	<u>56,495</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	1,036,624	10	702,458	7
INCOME TAX EXPENSE (Notes 4 and 25)	<u>232,467</u>	<u>2</u>	<u>158,791</u>	<u>2</u>
NET PROFIT FOR THE PERIOD	<u>804,157</u>	<u>8</u>	<u>543,667</u>	<u>5</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Unrealized gain (loss) on investments in equity instruments designated as at fair value through other comprehensive income	(4,372)	-	4,547	-

(Continued)

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

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

	For the Three Months Ended March 31			
	2024		2023	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating the financial statements of foreign operations	\$ 64,307	-	\$ (10,448)	-
Other comprehensive income (loss) for the period, net of income tax	59,935	-	(5,901)	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 864,092</u>	<u>8</u>	<u>\$ 537,766</u>	<u>5</u>
EARNINGS PER SHARE (Note 26)				
Basic	<u>\$ 0.85</u>		<u>\$ 0.58</u>	
Diluted	<u>\$ 0.85</u>		<u>\$ 0.58</u>	

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

(With Deloitte & Touche auditors' review report dated May 13, 2024)

(Concluded)

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company						Other Equity		
	Ordinary Shares (Note 22)	Capital Surplus (Note 10)	Retained Earnings (Note 22)			Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Investments in Equity Instruments Designated as at Fair Value Through Other Comprehensive Income	Total Equity	
			Legal reserve	Special reserve	Unappropriated Earnings				
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	
Changes in capital surplus from investments in associates accounted for using the equity method	-	3,650	-	-	-	-	-	3,650	
Profit for the three months ended March 31, 2023	-	-	-	-	543,667	-	-	543,667	
Other comprehensive income (loss) for the three months ended March 31, 2023, net of income tax	-	-	-	-	-	(10,448)	4,547	(5,901)	
Total comprehensive income (loss) for the three months ended March 31, 2023	-	-	-	-	543,667	(10,448)	4,547	537,766	
BALANCE AT MARCH 31, 2023	\$ 9,418,671	\$ 8,631	\$ 1,201,854	\$ 2,055,275	\$ 3,740,874	\$ (19,704)	\$ (31,280)	\$ 16,374,321	
BALANCE AT JANUARY 1, 2024	\$ 9,418,671	\$ 11,746	\$ 1,374,269	\$ 1,946,538	\$ 4,366,362	\$ 11,235	\$ (29,481)	\$ 17,099,340	
Profit for the three months ended March 31, 2024	-	-	-	-	804,157	-	-	804,157	
Other comprehensive income (loss) for the three months ended March 31, 2024, net of income tax	-	-	-	-	-	64,307	(4,372)	59,935	
Total comprehensive income (loss) for the three months ended March 31, 2024	-	-	-	-	804,157	64,307	(4,372)	864,092	
BALANCE AT MARCH 31, 2024	\$ 9,418,671	\$ 11,746	\$ 1,374,269	\$ 1,946,538	\$ 5,170,519	\$ 75,542	\$ (33,853)	\$ 17,963,432	

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

(With Deloitte & Touche auditors' review report dated May 13, 2024)

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

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

	For the Three Months Ended March 31	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,036,624	\$ 702,458
Adjustments for:		
Depreciation expense	323,261	303,319
Amortization expense	68,885	41,492
Expected credit loss recognized (reversed)	(1,621)	685
Finance costs	44,406	50,989
Interest income	(16,058)	(7,975)
Share of profit of associates	(118,603)	(119,180)
Impairment loss (reversed) on non-financial assets	1,955	(12,000)
Unrealized net loss (gain) on foreign currency exchange	(79,709)	46,562
Recognition of provisions	46,100	28,434
Loss on disposal of financial assets	33,787	-
Other income from liabilities	(18)	-
Net changes in operating assets and liabilities		
Contract assets	(847,147)	(1,796,868)
Notes receivable	9,915	(15,124)
Trade receivables	(2,328,245)	(119,160)
Other receivables	404	(20,514)
Inventories	285,765	(1,864,834)
Other current assets	(14,955)	431,908
Incremental costs of obtaining a contract	-	(19,873)
Contract liabilities	(1,068,560)	(2,107,747)
Trade payables	324,861	963,298
Other payables	(21,005)	(355,219)
Other current liabilities	(57,715)	(29,720)
Net defined benefit assets	(114,459)	(164,632)
Deferred income	3,025	(286)
Cash used in operations	(2,489,107)	(4,063,987)
Interest received	34,140	7,752
Interest paid	(26,077)	(35,620)
Income tax paid	(9)	(15,825)
Net cash used in operating activities	<u>(2,481,053)</u>	<u>(4,107,680)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(157,628)	(118,177)
Increase in refundable deposits	(16,059)	(9,812)
Decrease in refundable deposits	9,191	11,074
Payments for intangible assets	(39,404)	(56,683)
Decrease (increase) in other financial assets	482,030	(536,979)
Increase in other non-current assets	(670)	(2,372)
		(Continued)

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

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

	For the Three Months Ended March 31	
	2024	2023
Increase in prepayments for equipment	\$ (26,166)	\$ (128,567)
Dividends received	<u>28,997</u>	<u>565,961</u>
Net cash generated from (used in) investing activities	<u>280,291</u>	<u>(275,555)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	4,380,000	4,480,000
Repayments of short-term borrowings	(2,000,000)	(2,480,000)
Proceeds from short-term bills payable	5,245,231	8,496,925
Repayments of short-term bills payable	(7,444,470)	(10,187,890)
Proceeds from long-term borrowings	-	4,820,000
Repayments of long-term borrowings	-	(2,970,000)
Proceeds of guarantee deposits	26,076	37,476
Refund of guarantee deposits	(35,245)	(34,078)
Repayment of the principal portion of lease liabilities	<u>(2,862)</u>	<u>(6,425)</u>
Net cash generated from financing activities	<u>168,730</u>	<u>2,156,008</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENT HELD IN FOREIGN CURRENCIES		
	<u>31,326</u>	<u>704</u>
NET DECREASE IN CASH AND CASH EQUIVALENT	(2,000,706)	(2,226,523)
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE PERIOD	<u>3,367,456</u>	<u>3,313,477</u>
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD	<u>\$ 1,366,750</u>	<u>\$ 1,086,954</u>

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

(With Deloitte & Touche auditors' review report dated May 13, 2024)

(Concluded)

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023

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

1. ORGANIZATION AND OPERATIONS

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on May 13, 2024.

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

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

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

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

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

The 2020 amendments also stipulate that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date. The 2022 amendments further clarify that only covenants with which an entity is required to comply on or before the reporting date should affect the classification of a liability as current or non-current. Although the covenants to be complied with

within twelve months after the reporting period do not affect the classification of a liability, the Group shall disclose information that enables users of financial statements to understand the risk of the Group, which may have difficulty complying with the covenants and repaying its liabilities within twelve months after the reporting period.

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

Upon initial application of the amendments to IAS 1, the Group restated comparative information.

Had the Group applied the original IAS 1 in the current year, the following adjustments should be made to reflect the line items and balances under the amendments to IAS 1.

	Carrying Amount	Adjustments Arising from Initial Application	Adjusted Carrying Amount
<u>December 31, 2023</u>			
Provision for liabilities - current	\$ -	\$ 817,072	\$ 817,072
Provision for liabilities - non-current	<u>817,072</u>	<u>(817,072)</u>	<u>-</u>
Total effect on liabilities	<u>\$ 817,072</u>	<u>\$ -</u>	<u>\$ 817,072</u>
<u>March 31, 2023</u>			
Provision for liabilities - current	\$ -	\$ 553,982	\$ 553,982
Provision for liabilities - non-current	<u>553,982</u>	<u>(553,982)</u>	<u>-</u>
Total effect on liabilities	<u>\$ 553,982</u>	<u>\$ -</u>	<u>\$ 553,982</u>

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

- b. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
IFRS 18 "Presentation and Disclosures in Financial Statements"	January 1, 2027
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments 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.

IFRS 18 “Presentation and Disclosures 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 discounted 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 Group 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 Group shall disaggregate items with dissimilar characteristics in the primary financial statements and in the notes. The Group 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.

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

c. Basis of consolidation

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

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

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

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

d. Other material accounting policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2023.

1) Classification of current and non-current assets and liabilities

Current assets include:

- Assets held primarily for the purpose of trading;
- Assets expected to be realized within 12 months after the reporting period; and
- Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- Liabilities held primarily for the purpose of trading;
- Liabilities due to be settled within 12 months after the reporting period, and
- Liabilities for which the Group does not have the substantial right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

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

2) Retirement benefits

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

3) Income tax expense

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

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The material accounting judgments and key sources of estimation uncertainty of these consolidated financial statements were the same as those applied to the preparation of the consolidated financial statements for the year ended December 31, 2023.

6. CASH AND CASH EQUIVALENTS

	March 31, 2024	December 31, 2023	March 31, 2023
Cash on hand and petty cash	\$ 732	\$ 654	\$ 658
Checking accounts and demand deposits	616,345	3,103,081	385,946
Cash equivalents			
Time deposits with original maturities of three months or less	<u>749,673</u>	<u>263,721</u>	<u>700,350</u>
	<u>\$ 1,366,750</u>	<u>\$ 3,367,456</u>	<u>\$ 1,086,954</u>
<u>Rates of banks balance (%)</u>			
Demand deposits	0.00-4.70	0.00-4.70	0.001-4.30
Time deposits	1.16-5.15	1.16-5.15	4.50-4.95

7. FINANCIAL ASSETS AT FVTOCI – NON-CURRENT

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Emerging marked shares</u>			
UHT Unitech Co Ltd. (UHT Ltd.)	\$ 18,755	\$ 22,330	\$ 19,195
<u>Unlisted ordinary shares</u>			
Aerovision Avionics Inc. (AAI)	24,286	25,164	26,478
Metro Consulting Service Ltd. (Metro Ltd.)	<u>2,306</u>	<u>2,225</u>	<u>2,247</u>
	<u>26,592</u>	<u>27,389</u>	<u>28,725</u>
	<u>\$ 45,347</u>	<u>\$ 49,719</u>	<u>\$ 47,920</u>

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

8. NOTES RECEIVABLE AND TRADE RECEIVABLES

	March 31, 2024	December 31, 2023	March 31, 2023
Notes receivable	\$ 1,680	\$ 11,595	\$ 18,775
<u>Trade receivables from unrelated parties</u>			
At amortized cost			
Gross carrying amount	\$ 9,685,551	\$ 7,396,550	\$ 8,317,091
Less: Allowance for impairment loss	<u>(474)</u>	<u>(189)</u>	<u>(533)</u>
	<u>\$ 9,685,077</u>	<u>\$ 7,396,361</u>	<u>\$ 8,316,558</u>
<u>Other receivables</u>			
Other tax refunds	\$ 21,238	\$ 21,646	\$ 53,367
Others	<u>1,984</u>	<u>20,062</u>	<u>5,176</u>
	<u>\$ 23,222</u>	<u>\$ 41,708</u>	<u>\$ 58,543</u>

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

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

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

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

	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 365 Days	Over 365 Days	Total
<u>March 31, 2024</u>						
Expected credit loss rate	0%	0%-2%	2%-11%	10%-50%	100%	
Gross carrying amount	\$ 9,630,647	\$ 47,637	\$ 8,947	\$ 316	\$ 5,134	\$ 9,692,681
Loss allowance (Lifetime ECLs)	-	(295)	(179)	(123)	(5,134)	(5,731)
Amortized cost	<u>\$ 9,630,647</u>	<u>\$ 47,342</u>	<u>\$ 8,768</u>	<u>\$ 193</u>	<u>\$ -</u>	<u>\$ 9,686,950</u>
<u>December 31, 2023</u>						
Expected credit loss rate	0%	0%-2%	2%-11%	10%-50%	100%	
Gross carrying amount	\$ 7,378,153	\$ 29,767	\$ 225	\$ 134	\$ 7,111	\$ 7,415,390
Loss allowance (Lifetime ECLs)	-	(185)	(4)	(52)	(7,111)	(7,352)
Amortized cost	<u>\$ 7,378,153</u>	<u>\$ 29,582</u>	<u>\$ 221</u>	<u>\$ 82</u>	<u>\$ -</u>	<u>\$ 7,408,038</u>
<u>March 31, 2023</u>						
Expected credit loss rate	0%	1.10%	4.79%	8.28%	100%	
Gross carrying amount	\$ 8,287,601	\$ 48,201	\$ 64	\$ 579	\$ 12,651	\$ 8,349,096
Loss allowance (Lifetime ECLs)	-	(530)	(3)	(45)	(12,651)	(13,229)
Amortized cost	<u>\$ 8,287,601</u>	<u>\$ 47,671</u>	<u>\$ 61</u>	<u>\$ 534</u>	<u>\$ -</u>	<u>\$ 8,335,867</u>

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

	For the Three Months Ended March 31, 2024	
	Trade receivables	Overdue receivables
Balance at January 1, 2024	\$ 189	\$ 7,163
Impairment loss recognized (reversed)	<u>285</u>	<u>(1,906)</u>
Balance at March 31, 2024	<u>\$ 474</u>	<u>\$ 5,257</u>

	For the Three Months Ended March 31, 2023	
	Trade receivables	Overdue receivables
Balance at January 1, 2023	\$ 10	\$ 12,534
Impairment loss recognized (reversed)	<u>523</u>	<u>162</u>
Balance at March 31, 2023	<u>\$ 533</u>	<u>\$ 12,696</u>

9. INVENTORIES

	March 31, 2024	December 31, 2023	March 31, 2023
Raw materials	\$ 9,789,694	\$ 9,834,999	\$ 10,420,423
Work in progress	5,023,982	5,285,547	4,595,178
Inventory in transit	<u>394,289</u>	<u>395,181</u>	<u>240,800</u>
	<u>\$ 15,207,965</u>	<u>\$ 15,515,727</u>	<u>\$ 15,256,401</u>

Cost of goods sold related to inventory include the following items:

	For the Three Months Ended March 31	
	2024	2023
Recognition (reversal) of inventory write-downs	\$ 1,955	\$ (12,000)
Loss on disposal of inventories	9,976	4,842
Indemnity income	(15,752)	(11,119)
Income from sales of scraps	(5,208)	(4,316)

10. SUBSIDIARIES

Subsidiaries included in consolidated financial statements:

Investor	Investee	% of Ownership		
		March 31, 2024	December 31, 2023	March 31, 2023
The Company	AIDC USA LLC (AIDC USA)	100	100	100
	Hsiang Yuan Co., Ltd. (HYCO)	100	100	100

For the main businesses of investee, refer to Table 5.

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	March 31, 2024		December 31, 2023		March 31, 2023	
	Amount	% of Ownership	Amount	% of Ownership	Amount	% of Ownership
<u>Investment in associate</u>						
International Turbine Engine Company LLC (ITEC)	\$ 1,197,948	22.05	\$ 1,060,266	22.05	\$ 977,749	22.05
Jung Sheng Precision IND Co., Ltd. (JSPCO)	<u>8,931</u>	23.81	<u>9,234</u>	23.81	<u>6,219</u>	25.64
	<u>\$ 1,206,879</u>		<u>\$ 1,069,500</u>		<u>\$ 983,968</u>	

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

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

The investments accounted for using the equity method and the share of profit or loss of the associate were based on the associates' financial statements which have not been reviewed.

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Property in Construction	Total
<u>Cost</u>								
Balance at January 1, 2024	\$ 5,932	\$ 119,436	\$ 6,684,409	\$ 16,796,133	\$ 777,925	\$ 998,639	\$ 69	\$ 25,382,543
Additions	-	-	88	67,321	1,856	4,024	747	74,036
Disposals	-	-	-	(17,476)	(568)	(1,481)	-	(19,525)
Reclassification	-	-	-	64,528	-	-	-	64,528
Effects of foreign currency exchange differences	<u>250</u>	<u>-</u>	<u>1,001</u>	<u>14</u>	<u>29</u>	<u>36</u>	<u>-</u>	<u>1,330</u>
Balance at March 31, 2024	<u>\$ 6,182</u>	<u>\$ 119,436</u>	<u>\$ 6,685,498</u>	<u>\$ 16,910,520</u>	<u>\$ 779,242</u>	<u>\$ 1,001,218</u>	<u>\$ 816</u>	<u>\$ 25,502,912</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2024	\$ -	\$ 117,277	\$ 3,710,469	\$ 11,274,521	\$ 719,769	\$ 632,484	\$ -	\$ 16,454,520
Depreciation expense	-	185	40,362	233,665	5,503	16,980	-	296,695
Disposals	-	-	-	(17,476)	(568)	(1,481)	-	(19,525)
Effects of foreign currency exchange differences	<u>-</u>	<u>-</u>	<u>41</u>	<u>9</u>	<u>-</u>	<u>9</u>	<u>-</u>	<u>59</u>
Balance at March 31, 2024	<u>\$ -</u>	<u>\$ 117,462</u>	<u>\$ 3,750,872</u>	<u>\$ 11,490,719</u>	<u>\$ 724,704</u>	<u>\$ 647,992</u>	<u>\$ -</u>	<u>\$ 16,731,749</u>
Carrying amounts at January 1, 2024	<u>\$ 5,932</u>	<u>\$ 2,159</u>	<u>\$ 2,973,940</u>	<u>\$ 5,521,612</u>	<u>\$ 58,156</u>	<u>\$ 366,155</u>	<u>\$ 69</u>	<u>\$ 8,928,023</u>
Carrying amounts at March 31, 2024	<u>\$ 6,182</u>	<u>\$ 1,974</u>	<u>\$ 2,934,626</u>	<u>\$ 5,419,801</u>	<u>\$ 54,538</u>	<u>\$ 353,226</u>	<u>\$ 816</u>	<u>\$ 8,771,163</u>
<u>Cost</u>								
Balance at January 1, 2023	\$ 5,933	\$ 119,436	\$ 6,674,164	\$ 15,904,552	\$ 759,436	\$ 936,719	\$ 623	\$ 24,400,863
Additions	-	-	-	51,191	-	2,162	1,288	54,641
Disposals	-	-	-	(7,128)	(320)	(2,280)	-	(9,728)
Reclassification	-	-	-	53,931	-	-	-	53,931
Effects of foreign currency exchange differences	<u>(50)</u>	<u>-</u>	<u>(201)</u>	<u>(2)</u>	<u>-</u>	<u>(2)</u>	<u>-</u>	<u>(255)</u>
Balance at March 31, 2023	<u>\$ 5,883</u>	<u>\$ 119,436</u>	<u>\$ 6,673,963</u>	<u>\$ 16,002,544</u>	<u>\$ 759,116</u>	<u>\$ 936,599</u>	<u>\$ 1,911</u>	<u>\$ 24,499,452</u>

(Continued)

	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Property in Construction	Total
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2023	\$ -	\$ 116,539	\$ 3,545,031	\$ 10,619,722	\$ 710,083	\$ 575,398	\$ -	\$ 15,566,773
Depreciation expense	-	184	41,309	220,197	4,770	15,089	-	281,549
Disposals	-	-	-	(7,128)	(320)	(2,280)	-	(9,728)
Effects of foreign currency exchange differences	-	-	(2)	(1)	-	(2)	-	(5)
Balance at March 31, 2023	<u>\$ -</u>	<u>\$ 116,723</u>	<u>\$ 3,586,338</u>	<u>\$ 10,832,790</u>	<u>\$ 714,533</u>	<u>\$ 588,205</u>	<u>\$ -</u>	<u>\$ 15,838,589</u>
Carrying amounts at January 1, 2023	<u>\$ 5,933</u>	<u>\$ 2,897</u>	<u>\$ 3,129,133</u>	<u>\$ 5,284,830</u>	<u>\$ 49,353</u>	<u>\$ 361,321</u>	<u>\$ 623</u>	<u>\$ 8,834,090</u>
Carrying amounts at March 31, 2023	<u>\$ 5,883</u>	<u>\$ 2,713</u>	<u>\$ 3,087,625</u>	<u>\$ 5,169,754</u>	<u>\$ 44,583</u>	<u>\$ 348,394</u>	<u>\$ 1,911</u>	<u>\$ 8,660,863</u> (Concluded)

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

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

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

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Carrying amounts</u>			
Land	\$ 1,496,261	\$ 1,485,791	\$ 1,566,247
Buildings	12,804	462	3,567
Machinery and equipment	1,078	392	1,632
Transportation equipment	652	851	1,524
Other equipment	<u>7,877</u>	<u>9,021</u>	<u>2,809</u>
	<u>\$ 1,518,672</u>	<u>\$ 1,496,517</u>	<u>\$ 1,575,779</u>

	For the Three Months Ended March 31	
	2024	2023
Additions to right-of-use assets	\$ <u>52,621</u>	\$ <u>7,355</u>
Depreciation charge for right-of-use assets		
Land	\$ 27,701	\$ 26,007
Buildings	1,251	1,209
Machinery and equipment	71	889
Transportation equipment	231	225
Other equipment	<u>1,249</u>	<u>89</u>
	\$ <u>30,503</u>	\$ <u>28,419</u>

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the three months ended March 31, 2024 and 2023.

b. Lease liabilities

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Carrying amounts</u>			
Current	\$ <u>111,427</u>	\$ <u>103,904</u>	\$ <u>105,317</u>
Non-current	\$ <u>1,490,413</u>	\$ <u>1,447,876</u>	\$ <u>1,541,909</u>

Range of discount rate for lease liabilities was as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Land	1.6-1.75	1.6-1.75	1.6-1.75
Buildings	1.95-5.0	1.5-5.0	1.5-2.5
Machinery and equipment	1.5-1.95	1.5	1.5-1.6
Transportation equipment	1.99-4.19	1.99-4.19	1.99-4.19
Other equipment	1.75-1.95	1.75	1.6

c. Material lease-in activities and terms

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

d. Other lease information

	For the Three Months Ended March 31	
	2024	2023
Expenses relating to short-term leases	\$ <u>6,593</u>	\$ <u>12,941</u>
Expenses relating to low-value asset leases	\$ <u>354</u>	\$ <u>230</u>
Total cash outflow for leases	\$ <u>(9,809)</u>	\$ <u>(19,596)</u>

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

14. INTANGIBLE ASSETS

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Other intangible assets</u>			
Computer software	\$ 46,109	\$ 47,325	\$ 37,670
Deferred technical cooperation expenses	18,751	20,456	3,963
Patent	1,465	1,153	1,374
Trademark	<u>58</u>	<u>64</u>	<u>82</u>
	66,383	68,998	43,089
<u>Intangible assets in development</u>			
Non-recurring costs of projects	<u>681,456</u>	<u>701,082</u>	<u>853,965</u>
	<u>\$ 747,839</u>	<u>\$ 770,080</u>	<u>\$ 897,054</u>
		Other Intangible Assets	Intangible Assets in Development
<u>Cost</u>			
Balance at January 1, 2024		\$ 1,136,110	\$ 7,357,445
Additions from internal developments		-	38,163
Additions		5,460	-
Effects of foreign currency exchange differences		<u>13</u>	<u>-</u>
Balance at March 31, 2024		<u>1,141,583</u>	<u>7,395,608</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2024		1,067,112	6,656,363
Amortization expense		8,083	57,789
Effects of foreign currency exchange differences		<u>5</u>	<u>-</u>
Balance at March 31, 2024		<u>1,075,200</u>	<u>6,714,152</u>
Carrying amounts at March 31, 2024		<u>\$ 66,383</u>	<u>\$ 681,456</u>

	Other Intangible Assets	Intangible Assets in Development
<u>Cost</u>		
Balance at January 1, 2023	\$ 1,179,410	\$ 7,145,246
Additions from internal developments	-	60,526
Additions	3,131	-
Disposals	-	(2,045)
Effects of foreign currency exchange differences	<u>(1)</u>	<u>-</u>
Balance at March 31, 2023	<u>1,182,540</u>	<u>7,203,727</u>
<u>Accumulated amortization and impairment</u>		
Balance at January 1, 2023	1,132,984	6,319,899
Amortization expense	6,468	31,908
Disposals	-	(2,045)
Effects of foreign currency exchange differences	<u>(1)</u>	<u>-</u>
Balance at March 31, 2023	<u>1,139,451</u>	<u>6,349,762</u>
Carrying amounts at March 31, 2023	<u>\$ 43,089</u>	<u>\$ 853,965</u>

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

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 and deposits held for the National Defense Industrial Development Foundation. For pledged assets information, refer to Note 30. The market rates of interest per annum were 0.765%-2.20%, 0.655%-4.80% and 0.18%-4.80% on March 31, 2024, December 31, 2023 and March 31, 2023, respectively.

	March 31, 2024	December 31, 2023	March 31, 2023
Other financial assets-current	\$ 902,141	\$ 1,285,140	\$ 1,213,833
Other financial assets-non-current	<u>8,057</u>	<u>42,008</u>	<u>41,844</u>
	<u>\$ 910,198</u>	<u>\$ 1,327,148</u>	<u>\$ 1,255,677</u>

16. OTHER ASSETS

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Current</u>			
Prepayment	\$ 620,050	\$ 699,830	\$ 1,202,758
Others	<u>393,327</u>	<u>298,613</u>	<u>317,391</u>
	<u>\$ 1,013,377</u>	<u>\$ 998,443</u>	<u>\$ 1,520,149</u>
<u>Non-current</u>			
Overdue receivables (Note 8)	\$ 5,450	\$ 7,245	\$ 13,230
Less: Allowance for impairment loss	<u>(5,257)</u>	<u>(7,163)</u>	<u>(12,696)</u>
	193	82	534
Refundable deposits	74,181	67,307	44,930
Others	<u>30,325</u>	<u>32,930</u>	<u>29,786</u>
	<u>\$ 104,699</u>	<u>\$ 100,319</u>	<u>\$ 75,250</u>

17. BORROWINGS

a. Short-term borrowings

	March 31, 2024	December 31, 2023	March 31, 2023
Unsecured borrowings	<u>\$ 2,880,000</u>	<u>\$ 500,000</u>	<u>\$ 3,500,000</u>
Rates of interest per annum (%)	1.51-1.5619	1.5619	1.30-1.596

b. Short-term bills payable

	March 31, 2024	December 31, 2023	March 31, 2023
Commercial paper	\$ 5,250,000	\$ 7,450,000	\$ 4,700,000
Less: Unamortized discount on bills payable	<u>(4,769)</u>	<u>(5,530)</u>	<u>(3,075)</u>
	<u>\$ 5,245,231</u>	<u>\$ 7,444,470</u>	<u>\$ 4,696,925</u>
Rates of interest per annum (%)	1.45-1.48	1.46-1.52	1.24-1.39

c. Long-term borrowings

	March 31, 2024	December 31, 2023	March 31, 2023
Credit borrowings	\$ -	\$ -	\$ 3,650,000
Less: Current portion	<u>-</u>	<u>-</u>	<u>(3,650,000)</u>
Long-term borrowings	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Rates of interest per annum (%)	-	-	1.31

18. BONDS PAYABLE

	March 31, 2024	December 31, 2023	March 31, 2023
Unsecured domestic bonds	\$ 6,450,000	\$ 6,450,000	\$ 6,450,000
Less: Unamortized discount on bonds payable	<u>(2,992)</u>	<u>(3,351)</u>	<u>(4,427)</u>
	6,447,008	6,446,649	6,445,573
Less: Current portion	<u>(2,999,627)</u>	<u>(2,999,426)</u>	<u>-</u>
Long-term borrowings	<u>\$ 3,447,381</u>	<u>\$ 3,447,223</u>	<u>\$ 6,445,573</u>

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

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

19. OTHER PAYABLES

	March 31, 2024	December 31, 2023	March 31, 2023
Payable for salaries and bonuses	\$ 1,399,251	\$ 1,603,704	\$ 1,025,456
Payable for outsourcing	759,571	854,220	825,438
Payable for annual leave	365,745	233,163	371,036
Payable for employees compensation and remuneration of directors	195,534	142,963	138,801
Payable for service fee	124,767	174,156	50,879
Payable for purchase of equipment	123,518	207,110	126,681
Others	<u>997,848</u>	<u>837,572</u>	<u>863,664</u>
	<u>\$ 3,966,234</u>	<u>\$ 4,052,888</u>	<u>\$ 3,401,955</u>

20. PROVISIONS - CURRENT

	March 31, 2024	December 31, 2023	March 31, 2023
Warranties	\$ 836,655	\$ 810,597	\$ 547,344
Others	<u>6,475</u>	<u>6,475</u>	<u>6,638</u>
	<u>\$ 843,130</u>	<u>\$ 817,072</u>	<u>\$ 553,982</u>

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

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

21. RETIREMENT BENEFIT PLANS

Employee benefit expenses in respect of the Group's defined benefit retirement plans were calculated using the actuarially determined pension cost discount rate as of December 31, 2023 and 2022. Employee benefit expenses for the three months ended March 31, 2024 and 2023 were \$84,670 thousand and \$90,398 thousand, respectively.

22. EQUITY

a. Ordinary shares

	March 31, 2024	December 31, 2023	March 31, 2023
Number of shares authorized (in thousands)	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>
Shares authorized	<u>\$ 15,000,000</u>	<u>\$ 15,000,000</u>	<u>\$ 15,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>941,867</u>	<u>941,867</u>	<u>941,867</u>
Shares issued	<u>\$ 9,418,671</u>	<u>\$ 9,418,671</u>	<u>\$ 9,418,671</u>

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 paid-in capital. 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 paid-in capital, 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 proposed by the board of directors on March 26, 2024 and approved in the shareholders' meetings on 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		
Reversal special reserve	(45,083)	(153,820)		
Cash dividends	1,337,451	1,017,216	\$ 1.42	\$ 1.08

The appropriations of earnings for 2023 are subject to the resolution of the shareholders in their meeting to be held on May 27, 2024.

23. REVENUES

a. Sales revenue

	For the Three Months Ended March 31	
	2024	2023
Aircraft/Vehicle Maintenance	\$ 5,942,492	\$ 5,134,838
Aero/Industrial Engine	3,927,332	2,959,567
Industrial Technology Services	<u>705,761</u>	<u>1,846,235</u>
	<u>\$ 10,575,585</u>	<u>\$ 9,940,640</u>

b. Contract balances

	March 31, 2024	December 31, 2023	March 31, 2023	January 1, 2023
Contract assets				
Aircraft/vehicle maintenance	\$ 2,190,301	\$ 540,735	\$ 663,828	\$ 458,322
Others	<u>41,969</u>	<u>844,388</u>	<u>2,654,019</u>	<u>1,062,657</u>
	<u>\$ 2,232,270</u>	<u>\$ 1,385,123</u>	<u>\$ 3,317,847</u>	<u>\$ 1,520,979</u>
Contract liabilities				
Aircraft/vehicle maintenance	\$ 21,441	\$ 1,094,817	\$ 21,343	\$ 1,965,971
Others	<u>36,420</u>	<u>31,604</u>	<u>26,809</u>	<u>189,928</u>
	<u>\$ 57,861</u>	<u>\$ 1,126,421</u>	<u>\$ 48,152</u>	<u>\$ 2,155,899</u>

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

	March 31, 2024	December 31, 2023	March 31, 2023
Expected credit loss rate	0%	0%	0%
Gross carrying amount	\$ 2,232,270	\$ 1,385,123	\$ 3,317,847
Allowance for impairment loss (Lifetime ECLs)	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,232,270</u>	<u>\$ 1,385,123</u>	<u>\$ 3,317,847</u>

c. Assets related to contract costs

	March 31, 2024	December 31, 2023	March 31, 2023
Incremental costs of obtaining a contract	<u>\$ 177,342</u>	<u>\$ 177,342</u>	<u>\$ 154,465</u>

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 Three Months Ended March 31	
	2024	2023
Subsidy income	\$ 6,320	\$ 30,016
Remedy income	2,207	1,411
Others	<u>6,980</u>	<u>11,689</u>
	<u>\$ 15,507</u>	<u>\$ 43,116</u>

b. Other gains and losses

	For the Three Months Ended March 31	
	2024	2023
Net foreign exchange gains (losses)	\$ 230,630	\$ (32,079)
Handing fee	(11,621)	(5,901)
Others	<u>(56,778)</u>	<u>(24,807)</u>
	<u>\$ 162,231</u>	<u>\$ (62,787)</u>

c. Employee benefits, depreciation and amortization

	Operating Cost	Operating Expense	Non-operating Expense	Transfer to Development Intangible Assets	Capital cost	Total
<u>For the Three Months Ended</u> <u>March 31, 2024</u>						
Employee benefits expense						
Salaries expense	\$ 1,679,375	\$ 187,294	\$ -	\$ 10,190	\$ 267	\$ 1,877,126
Retirement benefit						
Defined contribution plans	72,132	8,011	-	528	13	80,684
Defined benefit plans	75,699	8,401	-	556	14	84,670
Labor and health insurance	99,234	9,136	17,591	789	21	126,771
Other employee benefits	16,504	1,925	2,908	7	-	21,344
Depreciation expense	308,755	14,105	401	3,840	97	327,198
Amortization expense	66,536	2,349	-	257	6	69,148
<u>For the Three Months Ended</u> <u>March 31, 2023</u>						
Employee benefits expense						
Salaries expense	1,532,473	169,493	-	14,901	408	1,717,275
Retirement benefit						
Defined contribution plans	28,214	3,650	-	447	13	32,324
Defined benefit plans	78,906	10,206	-	1,249	37	90,398
Labor and health insurance	98,256	9,580	18,294	1,158	31	127,319
Other employee benefits	14,389	1,802	2,648	10	1	18,850
Depreciation expense	288,185	14,733	401	6,368	281	309,968
Amortization expense	39,558	1,934	-	324	2	41,818

d. Compensation of employees and remuneration of directors

According to the Company's Articles, the Company accrues distribution of compensation of employees and remuneration of directors at the rates no less than 0.58% and no higher than 4.65%, respectively, of net profit before income tax. For the three months ended March 31, 2024 and 2023, the compensation of employees and remuneration of directors are as follows:

	For the Three Months Ended March 31			
	2024		2023	
	The Proportion of Estimate	Amount of Money	The Proportion of Estimate	Amount of Money
Compensation of employees	4.65%	\$ 46,741	4.65%	\$ 31,421
Remuneration of directors	0.58%	5,830	0.58%	3,919

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

The appropriations of compensation of employees and remuneration of directors for 2023 and 2022 that were resolved by the board of directors on March 26, 2024 and March 27, 2023, respectively, are as shown below:

	For the Year Ended December 31	
	2023	2022
Compensation of employees	\$ 127,108	\$ 91,987
Remuneration of directors	15,855	11,474

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

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

e. Gain or loss on foreign currency exchange

	For the Three Months Ended March 31	
	2024	2023
Foreign exchange gains	\$ 355,155	\$ 180,325
Foreign exchange losses	<u>(124,525)</u>	<u>(212,404)</u>
Net gains (losses)	<u>\$ 230,630</u>	<u>\$ (32,079)</u>

25. INCOME TAXES

a. Tax expense recognized in profit or loss

Major components of income tax expense are as follows :

	For the Three Months Ended March 31	
	2024	2023
Current tax		
In respect of the current period	\$ 202,700	\$ 176,268
Deferred tax		
In respect of the current period	<u>29,767</u>	<u>(17,477)</u>
Income tax expense recognized in profit or loss	<u>\$ 232,467</u>	<u>\$ 158,791</u>

The federal tax rates used by a Subsidiary in the United States were both 21% for the three months ended March 31, 2024 and 2023, the state tax rates is determined by the state government where the residence is located.

b. Income tax assessments

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

26. EARNINGS PER SHARE

Unit: NT\$ Per share

	For the Three Months Ended March 31	
	2024	2023
Basic earnings per share	\$ 0.85	\$ 0.58
Diluted earnings per share	\$ 0.85	\$ 0.58

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

	For the Three Months Ended March 31	
	2024	2023
<u>Profit for the period attributable to owners of the Company</u>		
Earnings used in the computation of basic earnings per share (Earnings used in the computation of diluted earnings per share)	\$ 804,157	\$ 543,667
<u>Weighted average number of ordinary shares outstanding (in thousands of shares)</u>		
Weighted average number of ordinary shares in computation of basic earnings per share	941,867	941,867
Effect of potentially dilutive ordinary shares Compensation of employees	3,342	2,879
Weighted average number of ordinary shares used in the computation of diluted earnings per share	945,209	944,746

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

27. CAPITAL MANAGEMENT

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

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

28. FINANCIAL INSTRUMENTS

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

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

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

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>March 31, 2024</u>				
Financial assets at FVTOCI				
Investments in equity instruments				
Emerging market shares	\$ 18,755	\$ -	\$ -	\$ 18,755
Unlisted shares	<u>-</u>	<u>-</u>	<u>26,592</u>	<u>26,592</u>
	<u>\$ 18,755</u>	<u>\$ -</u>	<u>\$ 26,592</u>	<u>\$ 45,347</u>
<u>December 31, 2023</u>				
Financial assets at FVTOCI				
Investments in equity instruments				
Emerging market shares	\$ 22,330	\$ -	\$ -	\$ 22,330
Unlisted shares	<u>-</u>	<u>-</u>	<u>27,389</u>	<u>27,389</u>
	<u>\$ 22,330</u>	<u>\$ -</u>	<u>\$ 27,389</u>	<u>\$ 49,719</u>
<u>March 31, 2023</u>				
Financial assets at FVTOCI				
Investments in equity instruments				
Emerging market shares	\$ 19,195	\$ -	\$ -	\$ 19,195
Unlisted shares	<u>-</u>	<u>-</u>	<u>28,725</u>	<u>28,725</u>
	<u>\$ 19,195</u>	<u>\$ -</u>	<u>\$ 28,725</u>	<u>\$ 47,920</u>

There were no transfers between Level 1 and 2 in for the three months ended March 31, 2024 and 2023, respectively.

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

For the three months ended March 31, 2024

Financial Assets	Financial Assets at FVTOCI Equity Instruments
Balance at January 1, 2024	\$ 27,389
Recognized in other comprehensive loss	<u>(797)</u>
Balance at March 31, 2024	<u>\$ 26,592</u>

For the three months ended March 31, 2023

Financial Assets	Financial Assets at FVTOCI Equity Instruments
Balance at January 1, 2023	\$ 29,568
Recognized in other comprehensive loss	<u>(843)</u>
Balance at March 31, 2023	<u><u>\$ 28,725</u></u>

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

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

c. Categories of financial instruments

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Financial assets</u>			
Financial assets at amortized cost	\$ 12,447,644	\$ 12,471,379	\$ 11,081,573
Financial assets at fair value through other comprehensive income - non-current	45,347	49,719	47,920
<u>Financial liabilities</u>			
Financial liabilities at amortized cost	20,815,925	20,340,270	23,720,359

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

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

d. Financial risk management objectives and policies

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

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

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

1) Market risk

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

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

Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 32.

Sensitivity analysis

The Group was mainly exposed to the U.S. dollar. The Group's sensitivity to an increase or decrease of 0.5% in New Taiwan dollars against the relevant foreign currencies means profit before income tax would increased/decreased by \$30,338 thousand and \$25,407 thousand for the three months ended March 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 Group's interest risk is evaluated in terms of short-term borrowings, short-term bills payable, bonds payable (included not later than one year) , long-term borrowings (included not later than one year) and lease liabilities. Borrowing and repayment require budget planning in advance to control the interest risk. Interest rates of short-term loans from different financial organizations are compared and lowest one will be selected.

Sensitivity analysis

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the three months ended March 31, 2024 and 2023 would decrease/increase by \$1,256 thousand and \$2,188 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings. A 25 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

2) Credit risk

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

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

The Group's concentration of credit risk by geographical location was mainly in the United States, which accounted for 45%, 50% and 38% of the total trade receivables as of March 31, 2024, December 31, 2023 and March 31, 2023, respectively.

3) Liquidity risk

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

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

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

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

Non-derivative financial liabilities	Less than 1 Year	1 to 5 Year	More than 5 Year
<u>March 31, 2024</u>			
Non-interest bearing liabilities	\$ 5,990,102	\$ 253,584	\$ -
Lease liabilities	136,605	433,489	1,440,670
Variable interest rate liabilities	2,010,000	-	-
Fixed interest rate liabilities	<u>9,120,000</u>	<u>3,450,000</u>	<u>-</u>
	<u>\$ 17,256,707</u>	<u>\$ 4,137,073</u>	<u>\$ 1,440,670</u>

Non-derivative financial liabilities	Less than 1 Year	1 to 5 Year	More than 5 Year
<u>December 31, 2023</u>			
Non-interest bearing liabilities	\$ 5,686,398	\$ 262,753	\$ -
Lease liabilities	128,289	413,089	1,409,765
Variable interest rate liabilities	500,000	-	-
Fixed interest rate liabilities	<u>10,450,000</u>	<u>3,450,000</u>	<u>-</u>
	<u>\$ 16,764,687</u>	<u>\$ 4,125,842</u>	<u>\$ 1,409,765</u>

March 31, 2023

Non-interest bearing liabilities	\$ 5,199,801	\$ 228,060	\$ -
Lease liabilities	131,057	484,018	1,457,037
Variable interest rate liabilities	3,500,000	-	-
Fixed interest rate liabilities	<u>8,350,000</u>	<u>3,000,000</u>	<u>3,450,000</u>
	<u>\$ 17,180,858</u>	<u>\$ 3,712,078</u>	<u>\$ 4,907,037</u>

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

b) Financing facilities (reviewed annually)

	March 31, 2024	December 31, 2023	March 31, 2023
Unsecured bank loan facility:			
Amount unused	<u>\$ 19,412,079</u>	<u>\$ 20,947,741</u>	<u>\$ 17,177,398</u>

29. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its Subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and related parties are disclosed below.

a. Related party name and category

<u>Related Party Name</u>	<u>Relationship with the Consolidated Company</u>
ITEC	Associates
JSPCO	Associates
Ministry of Economic Affairs	Corporate director

b. Sales of goods

Related Parties Name	For the Three Months Ended March 31	
	2024	2023
ITEC	\$ 605,026	\$ 618,955
JSPCO	<u>19</u>	<u>-</u>
	<u>\$ 605,045</u>	<u>\$ 618,955</u>

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

Item	Collection terms
Engine	90 days after the invoice date
Backup parts	Offset accounts receivable with accounts payable

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

c. Purchase of goods

Related Parties Name	For the Three Months Ended March 31	
	2024	2023
ITEC	<u>\$ 265,090</u>	<u>\$ 160,893</u>

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

d. Manufacturing expenses

Related Parties Name	For the Three Months Ended March 31	
	2024	2023
JSPCO	\$ 21,968	\$ 16,197
ITEC	<u>6,012</u>	<u>1,509</u>
	<u>\$ 27,980</u>	<u>\$ 17,706</u>

e. Receivables from related parties

Related Parties Name	March 31, 2024	December 31, 2023	March 31, 2023
ITEC	\$ 386,323	\$ 259,722	\$ 299,602
JSPCO	<u>20</u>	<u>-</u>	<u>-</u>
	<u>\$ 386,343</u>	<u>\$ 259,722</u>	<u>\$ 299,602</u>

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

f. Other current assets

Related Parties Name	March 31, 2024	December 31, 2023	March 31, 2023
ITEC	<u>\$ 5,750</u>	<u>\$ 3,529</u>	<u>\$ 4,630</u>

g. Payables to related parties

Related Parties Name	March 31, 2024	December 31, 2023	March 31, 2023
ITEC	<u>\$ 96,685</u>	<u>\$ 27,891</u>	<u>\$ 54,738</u>

The outstanding trade payables to related parties are unsecured.

h. Other payables

Related Parties Name	March 31, 2024	December 31, 2023	March 31, 2023
JSPCO	<u>\$ 5,213</u>	<u>\$ 5,503</u>	<u>\$ 1,446</u>

i. Remuneration of key management personnel

	For the Three Months Ended March 31	
	2024	2023
Short-term employee benefits	\$ 13,585	\$ 12,764
Post-employment benefits	<u>449</u>	<u>434</u>
	<u>\$ 14,034</u>	<u>\$ 13,198</u>

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

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	March 31, 2024	December 31, 2023	March 31, 2023
Property, plant and equipment	\$ 1,741,760	\$ 1,760,121	\$ 1,811,289
Other financial assets - current	4,565	4,386	4,273
Other financial assets - non-current	<u>8,057</u>	<u>42,008</u>	<u>41,844</u>
	<u>\$ 1,754,382</u>	<u>\$ 1,806,515</u>	<u>\$ 1,857,406</u>

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

- a. As of March 31, 2024, December 31, 2023 and March 31, 2023, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately \$760,417 thousand, \$750,266 thousand and \$497,881 thousand, respectively.
- b. As of March 31, 2024, December 31, 2023 and March 31, 2023, unpaid contract for purchases of raw materials and machinery and equipment amounted to approximately \$26,207,406 thousand, \$27,706,062 thousand and \$24,013,907 thousand, respectively.

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	March 31, 2024			December 31, 2023		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items USD	\$ 229,338	32	\$7,338,816	\$ 219,065	30.705	\$6,726,391
Non-monetary items USD	62,789	32	2,009,234	59,589	30.705	1,829,686
<u>Financial liabilities</u>						
Monetary items USD	39,727	32	1,271,264	38,861	30.705	1,193,227
	March 31, 2023					
	Foreign Currencies	Exchange Rate	New Taiwan Dollars			
<u>Financial assets</u>						
Monetary items USD	\$ 204,706	30.45	\$ 6,233,298			
Non-monetary items USD	52,260	30.45	1,591,328			

March 31, 2023			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 37,832	30.45	\$1,151,984

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

For the Three Months Ended March 31				
Foreign Currencies	2024		2023	
	Exchange Rate	Net Foreign Exchange Loss	Exchange Rate	Net Foreign Exchange Loss
USD	32	<u>\$ 76,965</u>	30.45	<u>\$(42,231)</u>

33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (None)
- 2) Endorsements/guarantees provided. (None)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities). (Table 1)
- 4) Marketable securities acquired or disposed at costs or prices at least \$300 million or 20% of the paid-in capital. (None)
- 5) Acquisition of individual real estate at costs of at least \$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least \$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least \$100 million or 20% of the paid-in capital. (Table 2)
- 8) Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital. (Table 3)
- 9) Trading in derivative instruments. (None)
- 10) Intercompany relationships and significant intercompany transactions. (Table 4)
- 11) Information on investees. (Table 5)

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

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

34. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the type of services delivered or provided.

The Group has only one operating segment which is the main business, i.e., design, manufacture, assembly, testing and maintenance of aircraft.

TABLE 1

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

MARKETABLE SECURITIES HELD
MARCH 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	March 31, 2024			
				Number of Shares	Carrying Amount	Percentage of Ownership	Fair Value
The Company	<u>Share capital</u>						
	UHT Ltd.	-	Financial assets at FVTOCI - non-current	1,100	\$ 18,755	1.30%	\$ 18,755
	AAI	The Company is a corporate director.	Financial assets at FVTOCI - non-current	4,968	24,286	13.09%	24,286
	Metro Ltd.	The Company is a corporate director.	Financial assets at FVTOCI - non-current	300	2,306	6%	2,306

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

TABLE 2

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE THREE MONTHS ENDED MARCH 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
			Purchase (Sale)	Amount	% to Total	Collection Terms	Unit Price	Collection Terms	Ending Balance	% to Total	
The Company	ITEC	Associate	Sale Purchases	\$ (595,837) 265,090	(6) 5	Note Note	Note Note	Note Note	\$ 383,121 (96,685)	4 (3)	

Note: Information is provided in Note 29.

TABLE 3

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
MARCH 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	\$ 383,121	7.45	\$ -	-	\$ 251,508	\$ -

TABLE 4

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2024
(In Thousands of New Taiwan Dollars)**

No.	Investee Company	Counterparty (Note)	Relationship	Transactions Details			
				Financial Statement Accounts	Amount	Payment Terms	% to Total Sales or Assets
0	The Company	AIDC USA	Parent company to subsidiary	Manufacturing expenses	\$ 6,886	T/T 30 - 60 days	-
		AIDC USA	Parent company to subsidiary	Operation expenses	7,980	T/T 30 - 60 days	-
		AIDC USA	Parent company to subsidiary	Other payables	16,080	T/T 30 - 60 days	-
		HYCO	Parent company to subsidiary	Operating revenue	1,104	T/T 30 - 60 days	-
		HYCO	Parent company to subsidiary	Manufacturing expenses	2,070	T/T 30 - 60 days	-

Note: Transactions have been eliminated.

TABLE 5

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

INFORMATION ON INVESTEEES
FOR THE THREE MONTHS ENDED MARCH 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 March 31, 2024			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				March 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	\$ 2,009,234	\$ 95,423	\$ 99,163 (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	27,561	2,358	2,362 (Note)	Subsidiary
	JSPCO	Kaohsiung City, ROC	Design, maintain and manufacture of moulds, jigs, fixtures and mechanical parts	50,000	50,000	5,000,000	23.81	8,931	(1,273)	(303)	Associate
AIDC USA	ITEC	Delaware, USA	Development, production engines of aircraft	728	728	-	22.05	1,197,948	522,292	118,906	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****MARCH 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 March 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.