

**Aerospace Industrial Development
Corporation and Subsidiary**

**Consolidated Financial Statements for the
Three Months Ended March 31, 2021 and 2020 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, 2021 and 2020 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods 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 Statement of Auditing Standards No. 65 "Review of 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, 2021 and 2020 were NT\$1,055,568 thousand and NT\$912,495 thousand, respectively. For the three months ended March 31, 2021 and 2020, the amounts of the related share of profit of associates were NT\$96,267 thousand and NT\$53,117 thousand, respectively.

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements which were used as bases of the investment accounted for using equity method as described in the basis for qualified conclusion been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the consolidated financial position of the Group as at March 31, 2021 and 2020, and of its consolidated financial performance and its consolidated cash flows for the three-month periods then ended 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 Ting-Chien Su and Lie-Dong Wu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 7, 2021

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)

	March 31, 2021 (Reviewed)		December 31, 2020 (Audited)		March 31, 2020 (Reviewed)	
ASSETS	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 1,782,773	4	\$ 4,587,565	11	\$ 3,494,253	8
Notes receivable (Note 8)	36,607	-	48,561	-	1,548	-
Trade receivables from unrelated parties (Note 8)	9,769,692	23	9,718,012	22	13,760,627	29
Trade receivables from related parties (Note 29)	48,790	-	101,332	-	29,798	-
Other receivables (Note 8)	57,256	-	11,655	-	99,192	-
Current tax assets (Note 4)	4,770	-	20,267	-	-	-
Inventories (Note 9)	13,086,986	31	12,196,505	28	12,262,139	26
Net defined benefit assets - current (Notes 4 and 21)	221,563	1	6,533	-	-	-
Other financial asset - current (Notes 15 and 30)	36,191	-	33,021	-	33,159	-
Other current assets (Notes 16 and 29)	<u>2,656,792</u>	<u>7</u>	<u>3,071,152</u>	<u>7</u>	<u>3,661,539</u>	<u>8</u>
Total current assets	<u>27,701,420</u>	<u>66</u>	<u>29,794,603</u>	<u>68</u>	<u>33,342,255</u>	<u>71</u>
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income - non-current (Note 7)	55,827	-	49,928	-	74,266	-
Investment accounted for using equity method (Note 11)	1,055,568	3	976,879	2	912,495	2
Property, plant and equipment (Notes 12 and 30)	9,236,217	22	9,297,868	21	8,528,869	18
Right-of-use assets (Note 13)	1,781,852	4	1,815,293	4	1,902,701	4
Intangible assets (Note 14)	1,137,373	3	1,156,391	3	1,275,462	3
Deferred tax assets (Notes 4 and 25)	307,019	1	319,835	1	303,368	1
Prepayments for equipment	452,423	1	472,268	1	685,425	1
Other financial asset - non-current (Notes 15 and 30)	41,754	-	47,841	-	14,054	-
Other non-current assets (Notes 8 and 16)	<u>86,131</u>	<u>-</u>	<u>93,394</u>	<u>-</u>	<u>74,024</u>	<u>-</u>
Total non-current assets	<u>14,154,164</u>	<u>34</u>	<u>14,229,697</u>	<u>32</u>	<u>13,770,664</u>	<u>29</u>
TOTAL	<u>\$ 41,855,584</u>	<u>100</u>	<u>\$ 44,024,300</u>	<u>100</u>	<u>\$ 47,112,919</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 17)	\$ 3,300,000	8	\$ 3,710,000	9	\$ 10,201,966	22
Short-term bills payable (Note 17)	11,227,952	27	11,696,287	27	4,298,591	9
Contract liabilities	411,653	1	1,480,736	3	84,632	-
Trade payables to unrelated parties	1,478,167	4	1,232,686	3	1,609,052	4
Trade payables to related parties (Note 29)	71,707	-	101,685	-	177,156	-
Other payables (Notes 19 and 29)	2,169,090	5	2,699,823	6	2,774,556	6
Current tax liabilities (Notes 4 and 25)	71,840	-	61,401	-	218,932	1
Lease liabilities - current (Note 13)	102,684	-	103,630	-	103,495	-
Current portion of long-term borrowings (Note 17)	1,700,000	4	-	-	-	-
Net defined benefit liabilities - current (Notes 4 and 21)	-	-	-	-	99,472	-
Other current liabilities	<u>59,298</u>	<u>-</u>	<u>100,842</u>	<u>-</u>	<u>48,225</u>	<u>-</u>
Total current liabilities	<u>20,592,391</u>	<u>49</u>	<u>21,187,090</u>	<u>48</u>	<u>19,616,077</u>	<u>42</u>
NON-CURRENT LIABILITIES						
Bonds payable (Note 18)	2,997,215	7	2,997,014	7	2,996,411	6
Long-term borrowings (Note 17)	1,960,000	5	3,260,000	7	7,020,000	15
Provisions - non-current (Note 20)	441,058	1	442,175	1	547,697	1
Current tax liabilities - non-current	76,751	-	92,101	-	-	-
Deferred tax liabilities (Notes 4 and 25)	173,798	1	157,145	-	124,843	-
Lease liabilities - non-current (Note 13)	1,733,870	4	1,740,938	4	1,841,244	4
Long-term deferred revenue	9,421	-	3,856	-	270	-
Guarantee deposits	<u>163,373</u>	<u>-</u>	<u>179,709</u>	<u>1</u>	<u>195,462</u>	<u>1</u>
Total non-current liabilities	<u>7,555,486</u>	<u>18</u>	<u>8,872,938</u>	<u>20</u>	<u>12,725,927</u>	<u>27</u>
Total liabilities	<u>28,147,877</u>	<u>67</u>	<u>30,060,028</u>	<u>68</u>	<u>32,342,004</u>	<u>69</u>
EQUITY						
Ordinary shares	9,418,671	22	9,418,671	21	9,418,671	20
Retained earnings						
Legal reserve	1,098,424	3	1,098,424	3	909,345	2
Special reserve	1,931,264	5	1,931,264	4	2,522,475	5
Unappropriated earnings	1,369,804	3	1,634,749	4	1,956,129	4
Other equity	<u>(110,456)</u>	<u>-</u>	<u>(118,836)</u>	<u>-</u>	<u>(35,705)</u>	<u>-</u>
Total equity	<u>13,707,707</u>	<u>33</u>	<u>13,964,272</u>	<u>32</u>	<u>14,770,915</u>	<u>31</u>
TOTAL	<u>\$ 41,855,584</u>	<u>100</u>	<u>\$ 44,024,300</u>	<u>100</u>	<u>\$ 47,112,919</u>	<u>100</u>

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

(With Deloitte & Touche auditors' review report dated May 7, 2021)

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share) (Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2021		2020	
	Amount	%	Amount	%
SALES (Notes 23 and 29)	\$ 4,658,440	100	\$ 5,616,777	100
COST OF GOODS SOLD (Notes 9, 24 and 29)	<u>4,666,894</u>	<u>100</u>	<u>5,338,853</u>	<u>95</u>
GROSS PROFIT (LOSS)	<u>(8,454)</u>	<u>-</u>	<u>277,924</u>	<u>5</u>
OPERATING EXPENSES (Notes 24 and 29)				
Selling and marketing expenses	37,301	1	25,078	1
General and administrative expenses	107,935	2	133,549	2
Research and development expenses	80,265	2	111,078	2
Expected credit loss (Note 8)	<u>4,622</u>	<u>-</u>	<u>861</u>	<u>-</u>
Total operating expenses	<u>230,123</u>	<u>5</u>	<u>270,566</u>	<u>5</u>
PROFIT (LOSS) FROM OPERATIONS	<u>(238,577)</u>	<u>(5)</u>	<u>7,358</u>	<u>-</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 24)	30,743	1	16,235	-
Other gains and losses (Note 24)	(67,028)	(2)	41,133	1
Share of profit of associates	96,267	2	53,117	1
Interest income	541	-	18,300	1
Finance costs (Note 24)	<u>(31,382)</u>	<u>(1)</u>	<u>(50,643)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>29,141</u>	<u>-</u>	<u>78,142</u>	<u>2</u>
PROFIT (LOSS) BEFORE INCOME TAX	(209,436)	(5)	85,500	2
INCOME TAX EXPENSE (Notes 4 and 25)	<u>55,509</u>	<u>1</u>	<u>32,275</u>	<u>1</u>
NET PROFIT (LOSS) FOR THE PERIOD	<u>(264,945)</u>	<u>(6)</u>	<u>53,225</u>	<u>1</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss				
Unrealized gain (loss) on investments in equity instruments designated as at fair value through other comprehensive income	5,899	-	(13,068)	-

(Continued)

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share) (Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2021		2020	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating the financial statements of foreign operations	\$ 2,481	-	\$ 7,172	-
Other comprehensive loss for the period, net of income tax	8,380	-	(5,896)	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	\$ (256,565)	(6)	\$ 47,329	1
EARNINGS (LOSS) PER SHARE (Note 26)				
Basic	\$ (0.28)		\$ 0.06	
Diluted	\$ (0.28)		\$ 0.06	

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

(With Deloitte & Touche auditors' review report dated May 7, 2021)

(Concluded)

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	Equity Attributable to Owners of the Corporation						
					Other Equity		
	Ordinary Shares (Note 22)	Legal reserve	Special reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized gain (loss) on Investments in Equity Instruments Designated as at Fair Value Through Other Comprehensive Income	Total Equity
BALANCE AT JANUARY 1, 2020	\$ 9,418,671	\$ 909,345	\$ 2,522,475	\$ 1,902,904	\$ (37,943)	\$ 8,134	\$ 14,723,586
Profit for the three months ended March 31, 2020	-	-	-	53,225	-	-	53,225
Other comprehensive income (loss) for the three months ended March 31, 2020, net of income tax	-	-	-	-	7,172	(13,068)	(5,896)
Total comprehensive income (loss) for the three months ended March 31, 2020	-	-	-	53,225	7,172	(13,068)	47,329
BALANCE AT MARCH 31, 2020	\$ 9,418,671	\$ 909,345	\$ 2,522,475	\$ 1,956,129	\$ (30,771)	\$ (4,934)	\$ 14,770,915
BALANCE AT JANUARY 1, 2021	\$ 9,418,671	\$ 1,098,424	\$ 1,931,264	\$ 1,634,749	\$ (89,564)	\$ (29,272)	\$ 13,964,272
Loss for the three months ended March 31, 2021	-	-	-	(264,945)	-	-	(264,945)
Other comprehensive income for the three months ended March 31, 2021, net of income tax	-	-	-	-	2,481	5,899	8,380
Total comprehensive income (loss) for the three months ended March 31, 2021	-	-	-	(264,945)	2,481	5,899	(256,565)
BALANCE AT MARCH 31, 2021	\$ 9,418,671	\$ 1,098,424	\$ 1,931,264	\$ 1,369,804	\$ (87,083)	\$ (23,373)	\$ 13,707,707

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

(With Deloitte & Touche auditors' review report dated May 7, 2021)

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	\$ (209,436)	\$ 85,500
Adjustments for:		
Depreciation expenses	298,899	264,323
Amortization expenses	45,825	79,043
Expected credit loss recognized	4,622	861
Finance costs	31,382	50,643
Interest income	(541)	(18,300)
Share of profit of associate	(96,267)	(53,117)
Loss on disposal of property, plant and equipment	-	16
Impairment loss recognized on non-financial assets	89,471	11,767
Unrealized net loss (gain) on foreign currency exchange	(353)	13,279
Recognition of provisions	5,823	4,084
Other income from liabilities	-	(656)
Net changes in operating assets and liabilities		
Notes receivable	11,954	4,089
Trade receivables	(6,178)	285,783
Other receivables	(27,362)	(23,436)
Inventories	(986,892)	(2,461,812)
Other current assets	414,360	925,579
Contract liabilities	(1,069,083)	(499,487)
Trade payables	214,606	310,634
Other payables	(354,128)	(681,703)
Other current liabilities	(43,352)	756
Net defined benefit liabilities (assets)	(215,030)	37,659
Deferred income	5,565	(9)
Cash used in operations	(1,886,115)	(1,664,504)
Interest received	2,382	24,462
Interest paid	(20,529)	(41,953)
Income tax paid	(15,454)	(2,289)
Net cash used in operating activities	(1,919,716)	(1,684,284)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for investments accounted for using equity method	-	(50,000)
Payments for property, plant and equipment	(270,636)	(324,911)
Increase in refundable deposits	(7,251)	(12,938)
Decrease in refundable deposits	15,768	5,494
Payments for intangible assets	(21,942)	(83,284)
Decrease in other financial assets	4,590	2,906,695
Increase in other non-current assets	-	(13,026)

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AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2021	2020
Increase in prepayments for equipment	\$ (107,373)	\$ (212,496)
Dividend received	<u>-</u>	<u>35,595</u>
Net cash generated from (used in) investing activities	<u>(386,844)</u>	<u>2,251,129</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	5,160,000	13,632,243
Repayments of short-term borrowings	(5,570,000)	(8,350,000)
Proceeds from short-term bills payable	16,497,157	26,138,591
Repayments of short-term bills payable	(16,965,492)	(30,197,255)
Proceeds from long-term borrowings	3,125,000	11,138,000
Repayments of long-term borrowings	(2,725,000)	(10,046,299)
Proceeds of guarantee deposits received	22,671	35,308
Refund of guarantee deposits received	(39,007)	(54,237)
Repayment of the principal portion of lease liabilities	<u>(3,539)</u>	<u>(3,315)</u>
Net cash generated from (used in) financing activities	<u>(498,210)</u>	<u>2,293,036</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENT HELD IN FOREIGN CURRENCIES		
	<u>(22)</u>	<u>232</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	(2,804,792)	2,860,113
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE PERIOD	<u>4,587,565</u>	<u>634,140</u>
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD	<u>\$ 1,782,773</u>	<u>\$ 3,494,253</u>

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

(With Deloitte & Touche auditors' review report dated May 7, 2021)

(Concluded)

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020

(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 (now called 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 Corporation’s functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on May 7, 2021.

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

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018 - 2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
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
Amendment to IFRS 16 “Covid-19-Related Rent Concessions beyond 30 June 2021”	April 1, 2021 (Note 4)

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 5)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 6)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 7)
Amendments to IAS 37 “Onerous Contracts–Cost of Fulfilling a Contract”	January 1, 2022 (Note 8)

(Concluded)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: A lessee should apply the amendment for annual reporting periods beginning on or after April 1, 2021, recognizing the cumulative effect of initial application at the beginning of the annual reporting period.

Note 5: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 6: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 7: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 8: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

The 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 are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right. The amendments also clarify 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 amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group's own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Group's own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32: Financial Instruments: Presentation, the aforementioned terms would not affect the classification of the liability.

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

4. SUMMARY OF SIGNIFICANT 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 by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, and net defined benefit 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 3 for the detailed information of subsidiaries (including the percentage of ownership and main business).

d. Other significant accounting policies

Except for the following, the summary of other significant accounting policies, please refer to the consolidated financial statements for the year ended December 31, 2020.

1) Retirement benefits

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

2) Taxation

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.

3) Leases

The Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2021, that results in the revised consideration for the lease less than the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Group elects to apply the practical expedient to all of these rent concessions lease contracts and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss, in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. The critical accounting judgments and key sources of estimation uncertainty of these consolidated financial statements were the same as those applied in the preparation of the consolidated financial statements for the year ended December 31, 2020.

6. CASH AND CASH EQUIVALENTS

	March 31, 2021	December 31, 2020	March 31, 2020
Cash on hand and petty cash	\$ 651	\$ 412	\$ 916
Checking accounts and demand deposits	1,776,034	1,738,158	585,692
Cash equivalents			
Time deposits with original maturities less than three months	<u>6,088</u>	<u>2,848,995</u>	<u>2,907,645</u>
	<u>\$ 1,782,773</u>	<u>\$ 4,587,565</u>	<u>\$ 3,494,253</u>

Rates of banks balance (%)

Demand deposits	0.00-0.24	0.00-0.24	0.04-1.08
Time deposits	0.28	0.25-0.28	1.3-2.5

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Emerging marked shares</u>			
UHT Unitech Co Ltd. (UHT Ltd.)	<u>\$ 21,780</u>	<u>\$ 16,731</u>	<u>\$ 41,030</u>
<u>Unlisted common shares</u>			
Aerovision Avionics Inc. (AAI)	31,865	31,037	31,072
Metro Consulting Service Ltd. (Metro Ltd.)	<u>2,182</u>	<u>2,160</u>	<u>2,164</u>
	<u>34,047</u>	<u>33,197</u>	<u>33,236</u>
	<u>\$ 55,827</u>	<u>\$ 49,928</u>	<u>\$ 74,266</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 the financial assets are measured at fair value through other comprehensive income (FVTOCI) as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

8. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	March 31, 2021	December 31, 2020	March 31, 2020
Notes receivable	<u>\$ 36,607</u>	<u>\$ 48,561</u>	<u>\$ 1,548</u>

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Trade receivables from unrelated parties</u>			
At amortized cost			
Gross carrying amount	\$ 9,772,518	\$ 9,719,714	\$ 13,766,126
Less: Allowance for impairment loss	<u>(2,826)</u>	<u>(1,702)</u>	<u>(5,499)</u>
	<u>\$ 9,769,692</u>	<u>\$ 9,718,012</u>	<u>\$ 13,760,627</u>
<u>Other receivables</u>			
Tax return receivables	\$ 35,786	\$ 6,827	\$ 97,725
Others	<u>21,470</u>	<u>4,828</u>	<u>1,467</u>
	<u>\$ 57,256</u>	<u>\$ 11,655</u>	<u>\$ 99,192</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 past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

The following table details the loss allowance of notes receivable, trade receivables and overdue receivables (accounted at 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, 2021</u>						
Expected credit loss rate	0%	2%	5%	50%	100%	
Gross carrying amount	\$ 9,669,838	\$ 137,957	\$ 1,330	\$ 7,899	\$ 8,508	\$ 9,825,532
Loss allowance (Lifetime ECL)	<u>-</u>	<u>(2,759)</u>	<u>(67)</u>	<u>(3,950)</u>	<u>(8,508)</u>	<u>(15,284)</u>
Amortized cost	<u>\$ 9,669,838</u>	<u>\$ 135,198</u>	<u>\$ 1,263</u>	<u>\$ 3,949</u>	<u>\$ -</u>	<u>\$ 9,810,248</u>

	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 365 Days	Over 365 Days	Total
<u>December 31, 2020</u>						
Expected credit loss rate	0%	2%	5%	50%	100%	
Gross carrying amount	\$ 9,704,338	\$ 49,815	\$ 14,122	\$ 709	\$ 8,605	\$ 9,777,589
Loss allowance (Lifetime ECL)	<u>-</u>	<u>(996)</u>	<u>(706)</u>	<u>(355)</u>	<u>(8,605)</u>	<u>(10,662)</u>
Amortized cost	<u>\$ 9,704,338</u>	<u>\$ 48,819</u>	<u>\$ 13,416</u>	<u>\$ 354</u>	<u>\$ -</u>	<u>\$ 9,766,927</u>
<u>March 31, 2020</u>						
Expected credit loss rate	0%	2%	5%	50%	100%	
Gross carrying amount	\$ 13,504,777	\$ 254,860	\$ 8,037	\$ 13,331	\$ 7,687	\$ 13,788,692
Loss allowance (Lifetime ECL)	<u>-</u>	<u>(5,097)</u>	<u>(402)</u>	<u>(6,805)</u>	<u>(7,687)</u>	<u>(19,991)</u>
Amortized cost	<u>\$ 13,504,777</u>	<u>\$ 249,763</u>	<u>\$ 7,635</u>	<u>\$ 6,526</u>	<u>\$ -</u>	<u>\$ 13,768,701</u>

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

	For the Three Months Ended March 31, 2021	
	Trade receivables	Overdue receivables
Balance at January 1, 2021	\$ 1,702	\$ 8,960
Impairment loss recognized	<u>1,124</u>	<u>3,498</u>
Balance at March 31, 2021	<u>\$ 2,826</u>	<u>\$ 12,458</u>
	For the Three Months Ended March 31, 2020	
	Trade receivables	Overdue receivables
Balance at January 1, 2020	\$ 4,430	\$ 14,700
Impairment loss recognized (reversed)	<u>1,069</u>	<u>(208)</u>
Balance at March 31, 2020	<u>\$ 5,499</u>	<u>\$ 14,492</u>

9. INVENTORIES

	March 31, 2021	December 31, 2020	March 31, 2020
Raw materials	\$ 8,779,752	\$ 7,768,439	\$ 7,518,630
Work in progress	<u>4,307,234</u>	<u>4,428,066</u>	<u>4,743,509</u>
	<u>\$ 13,086,986</u>	<u>\$ 12,196,505</u>	<u>\$ 12,262,139</u>

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

	For the Three Months Ended March 31	
	2021	2020
Recognition of inventory write-downs	\$ 89,471	\$ 11,767
Loss on disposal of inventories	9,969	9,979
Income from sales of scraps	(3,277)	(6,309)
Indemnity income	(1,593)	(4,382)

10. SUBSIDIARIES

Subsidiary included in consolidated financial statements:

Investor	Investee	% of Ownership		
		March 31, 2021	December 31, 2020	March 31, 2020
The Company	AIDC USA LLC (AIDC USA)	100	100	100

For the main businesses of AIDC USA, refer to Table 3.

The subsidiary include in consolidated financial statements is immaterial subsidiary, the financial statements have been reviewed.

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	March 31, 2021		December 31, 2020		March 31, 2020	
	Amount	% of Ownership	Amount	% of Ownership	Amount	% of Ownership
<u>Investment in associate</u>						
International Turbine Engine Company LLC (ITEC)	\$ 1,034,727	22.05	\$ 948,636	22.05	\$ 867,187	22.05
Jung Sheng Precision IND Co., Ltd. (JSPCO)	<u>20,841</u>	31.25	<u>28,243</u>	31.25	<u>45,308</u>	34.48
	<u>\$ 1,055,568</u>		<u>\$ 976,879</u>		<u>\$ 912,495</u>	

The investment of JSPCO were approved by the board of directors of the Company on December 20, 2019. In January 2020, the Company invested NT\$50,000 thousand and acquired 34.48% ownership of JSPCO. On March 20, 2020, the board of directors of JSPCO approved the cash injection to issue 1,500 thousand shares and the subscription base date was May 31, 2020. The Company did not participate in this subscription. Therefore, the Company's ownership interest in JSPCO was decreased to 31.25%.

Refer to "Table 3: 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 Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Property in Construction	Total
<u>Cost</u>							
Balance at January 1, 2021	\$ 120,739	\$ 6,622,514	\$ 14,471,927	\$ 766,349	\$ 910,541	\$ -	\$ 22,892,070
Additions	-	3,435	79,623	-	238	-	83,296
Disposals	-	-	(15,145)	-	(367)	-	(15,512)
Reclassification	-	-	127,475	-	-	-	127,475
Effects of foreign currency exchange differences	-	-	-	2	-	-	2
Balance at March 31, 2021	<u>\$ 120,739</u>	<u>\$ 6,625,949</u>	<u>\$ 14,663,880</u>	<u>\$ 766,351</u>	<u>\$ 910,412</u>	<u>\$ -</u>	<u>\$ 23,087,331</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2021	\$ 117,429	\$ 3,200,371	\$ 9,135,724	\$ 679,111	\$ 461,567	\$ -	\$ 13,594,202
Depreciation expenses	174	45,498	205,599	5,666	15,485	-	272,422
Disposals	-	-	(15,145)	-	(367)	-	(15,512)
Effects of foreign currency exchange differences	-	-	-	2	-	-	2
Balance at March 31, 2021	<u>\$ 117,603</u>	<u>\$ 3,245,869</u>	<u>\$ 9,326,178</u>	<u>\$ 684,779</u>	<u>\$ 476,685</u>	<u>\$ -</u>	<u>\$ 13,851,114</u>
Carrying amounts at January 1, 2021	<u>\$ 3,310</u>	<u>\$ 3,422,143</u>	<u>\$ 5,336,203</u>	<u>\$ 87,238</u>	<u>\$ 448,974</u>	<u>\$ -</u>	<u>\$ 9,297,868</u>
Carrying amounts at March 31, 2021	<u>\$ 3,136</u>	<u>\$ 3,380,080</u>	<u>\$ 5,337,702</u>	<u>\$ 81,572</u>	<u>\$ 433,727</u>	<u>\$ -</u>	<u>\$ 9,236,217</u>
<u>Cost</u>							
Balance at January 1, 2020	\$ 120,739	\$ 5,964,984	\$ 13,524,424	\$ 732,376	\$ 806,114	\$ 277,983	\$ 21,426,620
Additions	-	-	52,719	50,865	2,309	61,452	167,345
Disposals	-	-	(40,151)	(34,167)	(742)	-	(75,060)
Reclassification	-	-	20,411	13,194	7,626	-	41,231
Effects of foreign currency exchange differences	-	-	1	10	2	-	13
Balance at March 31, 2020	<u>\$ 120,739</u>	<u>\$ 5,964,984</u>	<u>\$ 13,557,404</u>	<u>\$ 762,278</u>	<u>\$ 815,309</u>	<u>\$ 339,435</u>	<u>\$ 21,560,149</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2020	\$ 116,663	\$ 3,021,560	\$ 8,617,339	\$ 694,164	\$ 408,476	\$ -	\$ 12,858,202
Depreciation expenses	209	45,901	184,688	4,676	12,640	-	248,114
Disposals	-	-	(40,135)	(34,167)	(742)	-	(75,044)
Effects of foreign currency exchange differences	-	-	-	7	1	-	8
Balance at March 31, 2020	<u>\$ 116,872</u>	<u>\$ 3,067,461</u>	<u>\$ 8,761,892</u>	<u>\$ 664,680</u>	<u>\$ 420,375</u>	<u>\$ -</u>	<u>\$ 13,031,280</u>
Carrying amounts at January 1, 2020	<u>\$ 4,076</u>	<u>\$ 2,943,424</u>	<u>\$ 4,907,085</u>	<u>\$ 38,212</u>	<u>\$ 397,638</u>	<u>\$ 277,983</u>	<u>\$ 8,568,418</u>
Carrying amounts at March 31, 2020	<u>\$ 3,867</u>	<u>\$ 2,897,523</u>	<u>\$ 4,795,512</u>	<u>\$ 97,598</u>	<u>\$ 394,934</u>	<u>\$ 339,435</u>	<u>\$ 8,528,869</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful life 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, 2021	December 31, 2020	March 31, 2020
<u>Carrying amounts</u>			
Land	\$ 1,764,145	\$ 1,797,200	\$ 1,874,185
Buildings	7,092	5,792	10,564
Machinery and equipment	8,107	9,001	11,681
Transportation equipment	364	486	910
Other equipment	<u>2,144</u>	<u>2,814</u>	<u>5,361</u>
	<u>\$ 1,781,852</u>	<u>\$ 1,815,293</u>	<u>\$ 1,902,701</u>
	For the Three Months Ended March 31		
	2021	2020	
Additions to right-of-use assets	\$ <u>3,053</u>	\$ <u>377</u>	
Depreciation charge for right-of-use assets			
Land	\$ 25,600	\$ 25,662	
Buildings	1,533	1,556	
Machinery and equipment	894	894	
Transportation equipment	123	131	
Other equipment	<u>851</u>	<u>855</u>	
	<u>\$ 29,001</u>	<u>\$ 29,098</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, 2021 and 2020.

b. Lease liabilities

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Carrying amounts</u>			
Current	\$ <u>102,684</u>	\$ <u>103,630</u>	\$ <u>103,495</u>
Non-current	<u>\$ 1,733,870</u>	<u>\$ 1,740,938</u>	<u>\$ 1,841,244</u>

Range of discount rate for lease liabilities was as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
Land	1.6%	1.6%	1.6%
Buildings	1.6%-5%	1.6%-5%	1.6%-5%
Machinery and equipment	1.6%	1.6%	1.6%
Transportation equipment	3.14%-3.39%	3.14%-3.39%	3.14%-3.39%
Other equipment	1.6%	1.6%	1.6%

c. Material lease-in activities and terms

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

The Company leased a land located in Xitun District, Taichung City. After the re-measurement, some parts of the land were actually outside the scope of the Company, so the leased area was reduced and the lease agreement was revised. The lease period of the land is from January 1, 2021 to December 31, 2027. In addition, the Company leased a land located in Shalu factory, Taichung City. The rental amount was adjusted for any changes based on the announcement of the land price and re-measurement of the leased area. The lease period of the land is from January 1, 2021 to December 31, 2056.

d. Other lease information

	For the Three Months Ended March 31	
	2021	2020
Expenses relating to short-term leases	\$ 7,444	\$ 3,678
Expenses relating to low-value asset leases	\$ 178	\$ 182
Total cash outflow for leases	\$ (11,161)	\$ (7,175)

The Group leases certain building, machinery and equipment and transportation equipment which qualify as short-term leases and certain machinery and equipment, transportation equipment and other equipment which 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, 2021	December 31, 2020	March 31, 2020
<u>Other intangible assets</u>			
Computer software	\$ 58,785	\$ 69,824	\$ 104,528
Deferred technical cooperation expenses	16,212	17,773	22,456
Patent	1,275	1,235	834
Trademark	<u>83</u>	<u>90</u>	<u>113</u>
	76,355	88,922	127,931
<u>Developing intangible assets</u>			
Projects non-recurring costs	<u>1,061,018</u>	<u>1,067,469</u>	<u>1,147,531</u>
	<u>\$ 1,137,373</u>	<u>\$ 1,156,391</u>	<u>\$ 1,275,462</u>

	Other Intangible Assets	Developing Intangible Assets
<u>Cost</u>		
Balance at January 1, 2021	\$ 1,102,527	\$ 6,968,839
Additions from internal developments	-	24,006
Additions	977	-
Disposals	-	-
Reclassification	-	-
Balance at March 31, 2021	<u>1,103,504</u>	<u>6,992,845</u>
<u>Accumulated amortization and impairment</u>		
Balance at January 1, 2021	1,013,605	5,901,370
Amortization expense	13,544	30,457
Disposals	-	-
Reclassification	-	-
Balance at March 31, 2021	<u>1,027,149</u>	<u>5,931,827</u>
Carrying amounts at March 31, 2021	<u>\$ 76,355</u>	<u>\$ 1,061,018</u>
<u>Cost</u>		
Balance at January 1, 2020	\$ 1,093,902	\$ 6,690,953
Additions from internal developments	-	99,687
Additions	740	-
Disposals	(3,246)	(412)
Reclassification	-	9,758
Balance at March 31, 2020	<u>1,091,396</u>	<u>6,799,986</u>
<u>Accumulated amortization and impairment</u>		
Balance at January 1, 2020	947,423	5,590,462
Amortization expense	19,288	61,353
Disposals	(3,246)	(412)
Reclassification	-	1,052
Balance at March 31, 2020	<u>963,465</u>	<u>5,652,455</u>
Carrying amounts at March 31, 2020	<u>\$ 127,931</u>	<u>\$ 1,147,531</u>

Projects non-recurring costs 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 the estimated useful life of the asset:

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

15. OTHER FINANCIAL ASSETS

Other financial assets are the time deposits with original maturities over three months from the date of acquisition; for pledged assets information, refer to Note 30. The market rates of the time deposits were 0.18%-1.065%, 0.18%-1.065% and 0.28%-1.07% on March 31, 2021, December 31, 2020 and March 31, 2020, respectively.

16. OTHER ASSETS

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Current</u>			
Prepayment	\$ 2,503,786	\$ 2,891,262	\$ 3,443,463
Others	<u>153,006</u>	<u>179,890</u>	<u>218,076</u>
	<u>\$ 2,656,792</u>	<u>\$ 3,071,152</u>	<u>\$ 3,661,539</u>
<u>Non-current</u>			
Overdue receivables (Note 8)	\$ 16,407	\$ 9,314	\$ 21,018
Less: Allowance for impairment loss	<u>(12,458)</u>	<u>(8,960)</u>	<u>(14,492)</u>
	3,949	354	6,526
Refundable deposits	51,766	60,283	42,509
Other	<u>30,416</u>	<u>32,757</u>	<u>24,989</u>
	<u>\$ 86,131</u>	<u>\$ 93,394</u>	<u>\$ 74,024</u>

17. BORROWINGS

a. Short-term borrowings

	March 31, 2021	December 31, 2020	March 31, 2020
Unsecured borrowings	<u>\$ 3,300,000</u>	<u>\$ 3,710,000</u>	<u>\$ 10,201,966</u>
Rates of interest per annum (%)	0.513-0.71	0.513-0.715	0.63-0.89

b. Short-term bills payable

	March 31, 2021	December 31, 2020	March 31, 2020
Commercial paper	\$ 11,230,000	\$ 11,700,000	\$ 4,300,000
Less: Unamortized discount on bills payable	<u>(2,048)</u>	<u>(3,713)</u>	<u>(1,409)</u>
	<u>\$ 11,227,952</u>	<u>\$ 11,696,287</u>	<u>\$ 4,298,591</u>
Rates of interest per annum (%)	0.21-0.25	0.26-0.36	0.55-0.69

c. Long-term borrowings

	March 31, 2021	December 31, 2020	March 31, 2020
Credit borrowings	\$ 3,660,000	\$ 3,260,000	\$ 7,020,000
Less: Current portion	<u>(1,700,000)</u>	<u>-</u>	<u>-</u>
Long-term borrowings	<u>\$ 1,960,000</u>	<u>\$ 3,260,000</u>	<u>\$ 7,020,000</u>
Rates of interest per annum (%)	0.65-0.94	0.65-0.94	0.6-1.11

18. BONDS PAYABLE

	March 31, 2021	December 31, 2020	March 31, 2020
Unsecured domestic bonds	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000
Less: Unamortized discount on bonds payable	<u>(2,785)</u>	<u>(2,986)</u>	<u>(3,589)</u>
	<u>\$ 2,997,215</u>	<u>\$ 2,997,014</u>	<u>\$ 2,996,411</u>

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

On March 26, 2021, the Company's board of directors approved the AIDC 2021 7-year unsecured corporate bond of \$3,500,000 thousand. An interest per annum will be paid, and the repayment will be due 7 years from the date of issuance.

19. OTHER PAYABLES

	March 31, 2021	December 31, 2020	March 31, 2020
Payable for salaries and bonuses	\$ 704,676	\$ 878,841	\$ 943,784
Payable for outsourcing	543,758	649,129	657,228
Payable for annual leave	259,806	103,902	328,117
Payable for service fee	88,629	85,797	76,555
Payable for purchase of equipment	60,377	247,717	113,792
Payable for employee's compensation and remuneration of directors	21,239	21,239	123,927
Others	<u>490,605</u>	<u>713,198</u>	<u>531,153</u>
	<u>\$ 2,169,090</u>	<u>\$ 2,699,823</u>	<u>\$ 2,774,556</u>

20. PROVISIONS - NON-CURRENT

	March 31, 2021	December 31, 2020	March 31, 2020
Warranties	\$ 341,691	\$ 342,808	\$ 448,330
Others	<u>99,367</u>	<u>99,367</u>	<u>99,367</u>
	<u>\$ 441,058</u>	<u>\$ 442,175</u>	<u>\$ 547,697</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 local sale of goods legislation. The estimate had been made on the basis of historical warranty trends and may vary as a result of other events affecting product quality.

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

21. RETIREMENT BENEFIT PLANS

Employee benefit expenses in respect of the Corporation's defined benefit retirement plans were calculated using the actuarially determined pension cost discount rate as of December 31, 2020 and 2019. Employee benefit expenses for the three months ended March 31, 2021 and 2020 were \$96,130 thousand and \$102,519 thousand, respectively.

22. EQUITY

a. Ordinary shares

	March 31, 2021	December 31, 2020	March 31, 2020
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 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. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse special reserve.

The appropriations of earnings for 2020 and 2019 were proposed by the board of directors on March 26, 2021 and approved in the shareholders' meetings on May 29, 2020, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2020	2019	2020	2019
Legal reserve	\$ 45,053	\$ 189,079		
Special reserve	89,027	29,809		
Reverse special reserve	-	(621,020)		
Cash dividends	188,373	1,120,822	\$ 0.2	\$ 1.19

The appropriations of earnings for 2020 are subject to the resolution of the shareholders' meeting to be held on May 28, 2021.

23. REVENUES

	For the Three Months Ended March 31	
	2021	2020
Aircraft/Vehicle Maintenance	\$ 3,118,032	\$ 3,493,519
Aero/Industrial Engine	1,465,336	2,070,366
Industrial Technology Services	<u>75,072</u>	<u>52,892</u>
	<u>\$ 4,658,440</u>	<u>\$ 5,616,777</u>

24. NET PROFIT

a. Other income

	For the Three Months Ended March 31	
	2021	2020
Remedy income	\$ 11,684	\$ 200
Indemnity income	1,916	1,183
Others	<u>17,143</u>	<u>14,852</u>
	<u>\$ 30,743</u>	<u>\$ 16,235</u>

b. Other gains and losses

	For the Three Months Ended March 31	
	2021	2020
Net foreign exchange gains (losses)	\$ (19,892)	\$ 84,957
Loss on disposal of property, plant and equipment	-	(16)
Others	<u>(47,136)</u>	<u>(43,808)</u>
	<u>\$ (67,028)</u>	<u>\$ 41,133</u>

c. Employee benefits, depreciation and amortization

	Operating Cost	Operating Expense	Non-operating Expense	Transfer to Development Intangible Assets	Capital cost	Total
For the Three Months Ended March 31, 2021						
Employee benefits expense						
Salaries expense	\$ 1,109,942	\$ 130,061	\$ 2,764	\$ 6,417	\$ -	\$ 1,249,184
Retirement benefit						
Defined contribution plans	20,700	2,816	39	148	-	23,703
Defined benefit plans	83,953	11,421	158	598	-	96,130
Labor and health insurance	79,441	9,823	16,963	487	-	106,714
Other employee benefits	7,359	906	1,539	4	-	9,808
Depreciation expense	280,252	13,940	4,707	2,524	-	301,423
Amortization expense	43,577	2,241	7	517	-	46,342

	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, 2020</u>						
Employee benefits expense						
Salaries expense	\$ 1,224,376	\$ 149,819	\$ 3,341	\$ 18,686	\$ 537	\$ 1,396,759
Retirement benefit						
Defined contribution plans	20,978	2,831	48	426	13	24,296
Defined benefit plans	88,519	11,946	202	1,799	53	102,519
Labor and health insurance	83,696	9,016	16,574	1,329	42	110,657
Other employee benefits	8,918	975	1,735	1	-	11,629
Depreciation expense	241,343	18,026	4,954	12,713	176	277,212
Amortization expense	74,650	4,386	7	3,200	2	82,245

d. Compensation of employees and remuneration of directors

The Company stipulate distribution of compensation of employees and remuneration to 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 month ended March 31, 2020, the compensation of employees and remuneration of directors were as follows:

	<u>For the Three Months Ended</u> <u>March 31, 2020</u>	
	<u>The</u> <u>Proportion of</u> <u>Estimate</u>	<u>Amount of</u> <u>Money</u>
Compensation of employees	4.65%	\$ 3,230
Remuneration of directors	0.58%	403

The company did not distribute compensation of employees and remuneration to directors because they had net loss for the three month ended March 31, 2021.

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 and supervisors for 2020 and 2019 that were resolved by the board of directors on March 26, 2021 and March 27, 2020, respectively, are as shown below:

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Compensation of employees	\$ 18,883	\$ 106,953
Remuneration of directors	2,356	13,341

There was 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, 2020 and 2019.

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	
	2021	2020
Foreign exchange gains	\$ 63,898	\$ 196,067
Foreign exchange losses	<u>(83,790)</u>	<u>(111,110)</u>
Net gains (losses)	<u>\$ (19,892)</u>	<u>\$ 84,957</u>

- f. Finance costs

Information about capitalized interest is as follows:

	For the Three Months Ended March 31	
	2021	2020
Capitalized interest amount	\$ 257	\$ 1,053
Capitalization rate (%)	0.937-0.939	1.10-1.11

25. TAXES

- a. Tax expense recognized in profit or loss

Major components of tax expense is as follows:

	For the Three Months Ended March 31	
	2021	2020
Current tax		
In respect of the current period	\$ 26,040	\$ 21,281
Deferred tax		
In respect of the current period	<u>29,469</u>	<u>10,994</u>
Income tax expense recognized in profit or loss	<u>\$ 55,509</u>	<u>\$ 32,275</u>

The applicable tax rate used by a subsidiary in the United States is 25.9%.

- b. Income tax assessments

Income tax returns of the Company through 2018 have been examined and cleared by the tax authorities.

26. EARNINGS (LOSS) PER SHARE

Unit: NT\$ Per share

	For the Three Months Ended March 31	
	2021	2020
Basic earnings (loss) per share	\$ (0.28)	\$ 0.06
Diluted earnings (loss) per share	\$ (0.28)	\$ 0.06

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	
	2021	2020
<u>Profit (loss) for the period attributable to owners of the Company</u>		
Earnings (Loss) used in the computation of basic earnings (loss) per share (Earnings (loss) used in the computation of diluted earnings (loss) per share)	\$ (264,945)	\$ 53,225
<u>Weighted average number of ordinary shares outstanding (in thousand shares)</u>		
Weighted average number of ordinary shares in computation of basic earnings (loss) per share	941,867	941,867
Effect of potentially dilutive ordinary shares		
Compensation of employees issued to employees	-	4,153
Weighted average number of ordinary shares used in the computation of diluted earnings (loss) per share	941,867	946,020

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

27. CAPITAL MANAGEMENT

The Group must maintain adequate capital necessary for profitable operations and factory expansion, equipment upgrade and participation in international new aircraft developing. 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, retained earnings and other equity).

28. FINANCIAL INSTRUMENTS

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

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

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

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>March 31, 2021</u>				
Financial assets at FVTOCI				
Investments in equity instruments				
Emerging market shares	\$ 21,780	\$ -	\$ -	\$ 21,780
Unlisted shares	-	-	34,047	34,047
	<u>\$ 21,780</u>	<u>\$ -</u>	<u>\$ 34,047</u>	<u>\$ 55,827</u>
<u>December 31, 2020</u>				
Financial assets at FVTOCI				
Investments in equity instruments				
Emerging market shares	\$ 16,731	\$ -	\$ -	\$ 16,731
Unlisted shares	-	-	33,197	33,197
	<u>\$ 16,731</u>	<u>\$ -</u>	<u>\$ 33,197</u>	<u>\$ 49,928</u>
<u>March 31, 2020</u>				
Financial assets at FVTOCI				
Investments in equity instruments				
Emerging market shares	\$ 41,030	\$ -	\$ -	\$ 41,030
Unlisted shares	-	-	33,236	33,236
	<u>\$ 41,030</u>	<u>\$ -</u>	<u>\$ 33,236</u>	<u>\$ 74,266</u>

There were no transfers between Level 1 and 2 in for the three months ended March 31, 2021 and 2020, respectively.

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

For the three months ended March 31, 2021

Financial Assets	Financial Assets at FVTOCI Equity Instruments
Balance at January 1, 2021	\$ 33,197
Recognized in other comprehensive gain	<u>850</u>
Balance at March 31, 2021	<u>\$ 34,047</u>

For the three months ended March 31, 2020

Financial Assets	Financial Assets at FVTOCI Equity Instruments
Balance at January 1, 2020	\$ 33,830
Recognized in other comprehensive loss	<u>(594)</u>
Balance at March 31, 2020	<u>\$ 33,236</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, 2021	December 31, 2020	March 31, 2020
<u>Financial assets</u>			
Financial assets at amortized cost	\$ 11,828,778	\$ 14,608,624	\$ 17,481,666
Financial assets at fair value through other comprehensive income - non-current	55,827	49,928	74,266

Financial liabilities

Financial liabilities at amortized cost	24,113,969	24,902,235	27,905,301
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Financial assets at amortized cost comprise cash and cash equivalents, notes receivable, trade receivables, other receivables, overdue receivables, other financial assets and refundable deposits.

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

d. Financial risk management objectives

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

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

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

1) Market risk

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

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

Foreign currency risk

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

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

Sensitivity analysis

The Group was mainly exposed to the U.S. dollar. The Group's sensitivity to a 0.5% stronger or weaker New Taiwan dollar against the relevant foreign currencies means profit before income tax would be increased/decreased by \$24,152 thousand and \$42,737 thousand for the three months ended March 31, 2021 and 2020. 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, long-term borrowings and lease liabilities. Borrowing and repayment require budget planning in advance to control the interest risk. Interest rates of short-term borrowings 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, 2021 and 2020 would decrease/increase by \$2,163 thousand and \$8,576 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings. A 25 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

2) Credit risk

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

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

The Group's concentration of credit risk by geographical location was mainly in the United States, which accounted for 28%, 27% and 35% of the total trade receivables as of March 31, 2021, December 31, 2020 and March 31, 2020, respectively.

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of March 31, 2021, December 31, 2020 and March 31, 2020, the Group had available unutilized bank loan facilities as set out in (b) below.

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

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

Non-derivative financial liabilities	Less than 1 Year	1 to 5 Year	More than 5 Year
<u>March 31, 2021</u>			
Non-interest bearing liabilities	\$ 2,765,429	\$ 163,373	\$ -
Lease liabilities	131,862	488,377	1,697,716
Variable interest rate liabilities	1,500,000	1,281,538	678,462
Fixed interest rate liabilities	<u>14,730,000</u>	<u>3,000,000</u>	<u>-</u>
	<u>\$ 19,127,291</u>	<u>\$ 4,933,288</u>	<u>\$ 2,376,178</u>
<u>December 31, 2020</u>			
Non-interest bearing liabilities	\$ 3,059,225	\$ 179,709	\$ -
Lease liabilities	132,457	488,057	1,697,931
Variable interest rate liabilities	2,000,000	1,184,615	775,385
Fixed interest rate liabilities	<u>13,410,000</u>	<u>4,300,000</u>	<u>-</u>
	<u>\$ 18,601,682</u>	<u>\$ 6,152,381</u>	<u>\$ 2,473,316</u>

Non-derivative financial liabilities	Less than 1 Year	1 to 5 Year	More than 5 Year
<u>March 31, 2020</u>			
Non-interest bearing liabilities	\$ 3,192,871	\$ 195,462	\$ -
Lease liabilities	134,468	498,295	1,826,566
Variable interest rate liabilities	6,701,966	6,528,462	491,538
Fixed interest rate liabilities	<u>7,800,000</u>	<u>3,000,000</u>	<u>-</u>
	<u>\$ 17,829,305</u>	<u>\$ 10,222,219</u>	<u>\$ 2,318,104</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, 2021	December 31, 2020	March 31, 2020
Unsecured bank loan facility:			
Amount unused	<u>\$ 18,938,806</u>	<u>\$ 18,006,995</u>	<u>\$ 6,461,162</u>
Secured bank loan facilities:			
Amount unused	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000,000</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 Categories / Names

<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	
	2021	2020
ITEC	\$ 64,624	\$ 43,121
JSPCO	<u>65</u>	<u>-</u>
	<u>\$ 64,689</u>	<u>\$ 43,121</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 account receivables with account payable

There is no unrelated party with similar product item to compare the engine 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	
	2021	2020
ITEC	\$ <u>41,517</u>	\$ <u>207,813</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	
	2021	2020
ITEC	\$ 171,449	\$ 211,732
JSPCO	<u>12,536</u>	<u>21,826</u>
	<u>\$ 183,985</u>	<u>\$ 233,558</u>

e. Receivable from related parties

Related Parties Name	March 31, 2021	December 31, 2020	March 31, 2020
ITEC	\$ 48,789	\$ 101,328	\$ 29,798
JSPCO	<u>1</u>	<u>4</u>	<u>-</u>
	<u>\$ 48,790</u>	<u>\$ 101,332</u>	<u>\$ 29,798</u>

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

f. Other current assets

Related Parties Name	March 31, 2021	December 31, 2020	March 31, 2020
ITEC	\$ 307,377	\$ 441,288	\$ 972,888
JSPCO	<u>-</u>	<u>-</u>	<u>2,169</u>
	<u>\$ 307,377</u>	<u>\$ 441,288</u>	<u>\$ 975,057</u>

g. Payable to related parties

Related Parties Name	March 31, 2021	December 31, 2020	March 31, 2020
ITEC	<u>\$ 71,707</u>	<u>\$ 101,685</u>	<u>\$ 177,156</u>

The outstanding trade payables to related parties are unsecured.

h. Other payables

Related Parties Name	March 31, 2021	December 31, 2020	March 31, 2020
JSPCO	\$ 11,595	\$ 11,980	\$ 13,100
ITEC	<u>-</u>	<u>-</u>	<u>14,947</u>
	<u>\$ 11,595</u>	<u>\$ 11,980</u>	<u>\$ 28,047</u>

i. Compensation of key management personnel

	For the Three Months Ended March 31	
	2021	2020
Short-term benefits	\$ 8,779	\$ 11,728
Post-employment benefits	<u>451</u>	<u>452</u>
	<u>\$ 9,230</u>	<u>\$ 12,180</u>

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

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	March 31, 2021	December 31, 2020	March 31, 2020
Property, plant and equipment	\$ 1,957,953	\$ 1,976,291	\$ 2,031,308
Other financial assets - current	4,005	4,008	5,224
Other financial assets - non-current	<u>41,754</u>	<u>47,841</u>	<u>14,054</u>
	<u>\$ 2,003,712</u>	<u>\$ 2,028,140</u>	<u>\$ 2,050,586</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:

- As of March 31, 2021, December 31, 2020 and March 31, 2020, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately \$507,241 thousand, \$363,428 thousand and \$498,098 thousand, respectively.
- As of March 31, 2021, December 31, 2020 and March 31, 2020, unpaid contract for purchases of raw materials and machinery and equipment amounted to approximately \$24,681,818 thousand, \$26,234,958 thousand and \$33,190,960 thousand, respectively.

32. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's group entities' 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:

	March 31, 2021			December 31, 2020		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
USD	\$ 180,681	28.535	\$ 5,155,732	\$ 257,919	28.48	\$ 7,345,533
Non-monetary items						
USD	38,077	28.535	1,086,529	35,140	28.48	1,000,783
<u>Financial liabilities</u>						
Monetary items						
USD	11,400	28.535	325,299	6,929	28.48	197,338

March 31, 2020			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 294,961	30.225	\$ 8,915,196
Non-monetary items			
USD	30,084	30.225	909,291
<u>Financial liabilities</u>			
Monetary items			
USD	12,169	30.225	367,808

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

For the Three Months Ended March 31				
Foreign Currencies	2021		2020	
	Exchange Rate	Net Foreign Exchange Loss	Exchange Rate	Net Foreign Exchange Loss
USD	28.535	<u>\$ (7,738)</u>	30.225	<u>\$ (69,310)</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. (None)
- 8) Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital. (None)
- 9) Trading in derivative instruments. (None)

10) Intercompany relationships and significant intercompany transactions. (Table 2)

11) Information on investees. (Table 3)

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 4)

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, 2021
(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, 2021			
				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	\$ 21,780	3.11%	\$ 21,780
	AAI	The Company is a corporate director.	Financial assets at FVTOCI - non-current	4,968	31,865	13.09%	31,865
	Metro Ltd.	The Company is a corporate director.	Financial assets at FVTOCI - non-current	300	2,182	6%	2,182

Note: Information about subsidiary and associates is provided in Table 3.

TABLE 2

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(In Thousands of New Taiwan Dollars)**

No.	Investee Company	Counterparty (Note)	Relationship	Transactions Details			
				Financial Statement Accounts	Amount	Payment Terms	% to Total Sales or Assets
0	The Company	AIDC USA	Parent company to subsidiary	Purchase	\$ 9,864	T/T 30 - 60 days	-
		AIDC USA	Parent company to subsidiary	Manufacturing expenses	3,482	T/T 30 - 60 days	-
		AIDC USA	Parent company to subsidiary	Operation expenses	5,312	T/T 30 - 60 days	-
		AIDC USA	Parent company to subsidiary	Other payables	2,943	T/T 30 - 60 days	-
		AIDC USA	Parent company to subsidiary	Accounts payables	5,081	T/T 30 - 60 days	-

Note: Transactions have been eliminated.

TABLE 3

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

INFORMATION ON INVESTEEES
FOR THE THREE MONTHS MARCH 31, 2021
(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, 2021			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				March 31, 2021	December 31, 2020	Shares	%	Carrying Amount			
The Company	AIDC USA	Delaware, USA	Provide program management and relevant services for purchasing and selling raw materials, parts and components of aircraft, engines and subsystems.	\$ 288,661	\$ 288,661	-	100%	\$ 1,086,529	\$ 83,265	\$ 83,265	Subsidiary
	JSPCO	Kaohsiung City, ROC	Design, maintain and manufacture of moulds, jigs, fixtures and mechanical parts	50,000	50,000	5,000	31.25%	20,841	(23,685)	(7,401)	Associate
AIDC USA	ITEC	Delaware, USA	Development, production and remodel of aircraft	728	728	-	22.05%	1,034,727	470,150	103,668	Associate

Table 4**AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION****INFORMATION OF MAJOR SHAREHOLDERS****MARCH 31, 2021**

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, 2021. 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.