Aerospace Industrial Development Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2019 and 2018 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2019 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 "Consolidated Financial Statements". Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

Aerospace Industrial Development Corporation

By:

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Kai-Hung Hu
President

March 27, 2020

Deloitte.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Aerospace Industrial Development Corporation

Opinion

We have audited the accompanying consolidated financial statements of Aerospace Industrial Development Corporation and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in the Group's consolidated financial statements for the year ended December 31, 2019 are stated as follows:

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Aerospace Industrial Development Corporation

Opinion

We have audited the accompanying consolidated financial statements of Aerospace Industrial Development Corporation and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in the Group's consolidated financial statements for the year ended December 31, 2019 are stated as follows:

Impairment loss of inventory

The Group assesses impairment of raw materials based on individual identification. The assessment of impairment loss of the raw materials involves the use of the management's critical judgment and, hence, the assessment is considered as a key audit matter. The Group assesses the impairment loss of the raw materials based on current market conditions and future consumption in accordance with IAS 2. Refer to Notes 5 and 9 to the financial statements for the relevant accounting policy, accounting judgments and estimation uncertainties, and other information. Our key audit procedures performed in regard to the impairment assessment include the following:

1. We sample-tested the inventory aging report for completeness and accuracy.

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

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

4. We observed the physical count of inventory at year end and we test-checked actual quantity counted on tags. We also noted those which appeared to be obsolete or slow-moving items and traced them to the Company's impairment assessment worksheet.

Warranties

The Group provides warranties for military product maintenance, and the percentage of certain provisions involve management's critical judgment; hence, we consider provision for warranties as a key audit matter. Refer to Notes 5 and 20 for the relevant accounting policy, accounting judgments and estimation uncertainties, and other information. Our key audit procedures performed in regard to the provisions for warranties include the following:

1. We obtained the documents based on the management's decision on the provision rate and we evaluated the reasonableness of the rates compared with rates in the past periods.

2. We selected samples to calculate the accuracy of warranty provision.

3. We selected samples and calculated the actual warranty occurrence rate in the previous year compared with the current warranty calculation to confirm that the amount of warranty provision for the year ended December 31, 2019 is appropriate and sufficient.

Other Matter

We have also audited the parent company only financial statements of Aerospace Industrial Development Corporation as of and for the years ended December 31, 2019 and 2018 on which we have issued an unqualified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Lie-Dong Wu and Done-Yuin Tseng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 27, 2020

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

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

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	December 31			
	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash (Notes 4 and 6)	$ 634,140	2	$ 962,896	2
Notes receivable (Notes 4 and 8)	5,637	-	2,684	-
Trade receivables from unrelated parties (Notes 4 and 8)	13,958,292	30	15,036,728	38
Trade receivables from related parties (Notes 4 and 29)	131,561	-	310,857	1
Other receivables (Notes 4 and 8)	81,918	-	100,306	-
Inventories (Notes 4, 5 and 9)	9,820,034	21	6,798,041	17
Other financial assets - current (Notes 4, 15 and 30)	2,935,559	7	1,932,100	5
Other current assets (Notes 4, 16 and 29)	4,587,118	10	3,871,208	10
Total current assets	32,154,259	70	29,014,820	73
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 7)	87,334	-	103,467	-
Investments accounted for using equity method (Notes 4 and 11)	838,039	2	602,985	2
Property, plant and equipment (Notes 4, 12 and 30)	8,568,418	18	8,352,719	21
Right-of-use assets (Notes 3, 4 and 13)	2,292,399	5	-	-
Intangible assets (Notes 4 and 14)	1,246,970	3	867,785	2
Deferred tax assets (Notes 4 and 25)	305,862	1	286,129	1
Prepayments for equipment (Note 24)	513,640	1	376,417	1
Other financial assets - non-current (Notes 4, 15 and 30)	14,054	-	10,807	-
Other non-current assets (Notes 4, 8 and 16)	66,461	-	204,425	-
Total non-current assets	13,933,177	30	10,804,734	27
TOTAL	$ 46,087,436	100	$ 39,819,554	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 17 and 30)	$ 4,920,000	11	$ 7,730,000	20
Short-term bills payable (Note 17)	8,357,255	18	2,499,575	6
Contract liabilities (Note 4)	584,119	1	83,898	-
Trade payables to unrelated parties	1,395,943	3	1,993,498	5
Trade payables to related parties (Note 29)	79,880	-	294,289	1
Other payables (Notes 19 and 29)	3,605,047	8	3,518,693	9
Current tax liabilities (Notes 4 and 25)	199,940	1	198,140	1
Lease liabilities - current (Notes 3, 4 and 13)	141,411	-	-	-
Current portion of long-term borrowings (Notes 17 and 30)	-	-	5,289,606	13
Net defined benefit liabilities - current (Notes 4 and 21)	61,813	-	82,447	-
Other current liabilities	43,943	-	115,461	-
Total current liabilities	19,389,351	42	21,805,607	55
NON-CURRENT LIABILITIES				
Bonds payable (Note 18)	2,996,210	7	-	-
Long-term borrowings (Notes 17 and 30)	5,928,299	13	2,838,029	7
Provisions - non-current (Notes 4, 5 and 20)	551,553	1	771,067	2
Deferred tax liabilities (Notes 4 and 25)	116,343	-	65,179	-
Lease liabilities - non-current (Notes 3, 4 and 13)	2,167,424	5	-	-
Long-term deferred revenue (Note 4)	279	-	315	-
Guarantee deposits	214,391	-	205,740	1
Total non-current liabilities	11,974,499	26	3,880,330	10
Total liabilities	31,363,850	68	25,685,937	65
EQUITY				
Ordinary shares	9,418,671	20	9,418,671	23
Retained earnings				
Legal reserve	909,345	2	702,338	2
Special reserve	2,522,475	6	1,933,627	5
Unappropriated earnings	1,902,904	4	2,070,067	5
Other equity	(29,809)	-	8,914	-
Total equity	14,723,586	32	14,133,617	35
TOTAL	$ 46,087,436	100	$ 39,819,554	100

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

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2019		2018	
	Amount	%	Amount	%
SALES (Notes 4, 23 and 29)	$ 28,540,207	100	$ 28,182,098	100
COST OF GOODS SOLD (Notes 9, 24 and 29)	24,729,566	87	24,542,508	87
GROSS PROFIT	3,810,641	13	3,639,590	13
OPERATING EXPENSES (Notes 24 and 29)				
Selling and marketing expenses	126,142	1	130,943	1
General and administrative expenses	682,722	2	618,777	2
Research and development expenses	548,281	2	545,217	2
Expected credit loss (gain) (Notes 4 and 8)	8,130	-	(1,505)	-
Total operating expenses	1,365,275	5	1,293,432	5
PROFIT FROM OPERATIONS	2,445,366	8	2,346,158	8
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4 and 24)	228,573	1	188,679	1
Other gains and losses (Notes 4 and 24)	(407,261)	(1)	15,374	-
Share of profit of associates (Note 4)	322,639	1	235,111	1
Finance costs (Notes 4 and 24)	(217,780)	(1)	(133,304)	(1)
Total non-operating income and expenses	(73,829)	-	305,860	1
PROFIT BEFORE INCOME TAX	2,371,537	8	2,652,018	9
INCOME TAX EXPENSE (Notes 4 and 25)	497,250	2	560,002	2
NET PROFIT FOR THE YEAR	1,874,287	6	2,092,016	7
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	16,507	-	(38,217)	-
Unrealized loss on investments in equity instruments designated as at fair value through other comprehensive income	(16,133)	-	(70,070)	-

(Continued)

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2019		2018	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	$ (22,590)	-	$ 16,819	-
Other comprehensive loss for the year, net of income tax	(22,216)	-	(91,468)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,852,071	6	$ 2,000,548	7
EARNINGS PER SHARE (Note 26)				
Basic	$ 1.99		$ 2.22	
Diluted	$ 1.98		$ 2.21	

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

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company						
		Retained Earnings (Note 22)			Other Equity (Note 4)		
	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, 2018	$ 9,418,671	$ 531,146	$ 1,473,474	$ 1,711,923	$ (32,172)	$ -	$ 13,103,042
Effect of retrospective application and retrospective restatement	-	-	-	-	-	94,337	94,337
BALANCE AT JANUARY 1, 2018 AS RESTATED	9,418,671	531,146	1,473,474	1,711,923	(32,172)	94,337	13,197,379
Appropriation of 2017 earnings							
Legal reserve	-	171,192	-	(171,192)	-	-	-
Special reserve	-	-	460,153	(460,153)	-	-	-
Cash dividends distributed by the Company	-	-	-	(1,064,310)	-	-	(1,064,310)
Profit for the year ended December 31, 2018	-	-	-	2,092,016	-	-	2,092,016
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	(38,217)	16,819	(70,070)	(91,468)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	2,053,799	16,819	(70,070)	2,000,548
BALANCE AT DECEMBER 31, 2018	9,418,671	702,338	1,933,627	2,070,067	(15,353)	24,267	14,133,617
Appropriation of 2018 earnings							
Legal reserve	-	207,007	-	(207,007)	-	-	-
Special reserve	-	-	588,848	(588,848)	-	-	-
Cash dividends distributed by the Company	-	-	-	(1,262,102)	-	-	(1,262,102)
Profit for the year ended December 31, 2019	-	-	-	1,874,287	-	-	1,874,287
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	16,507	(22,590)	(16,133)	(22,216)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	1,890,794	(22,590)	(16,133)	1,852,071
BALANCE AT DECEMBER 31, 2019	$ 9,418,671	$ 909,345	$ 2,522,475	$ 1,902,904	$ (37,943)	$ 8,134	$ 14,723,586

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

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2019	**2018**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 2,371,537	$ 2,652,018
Adjustments for:		
Depreciation expenses	1,088,615	900,289
Amortization expenses	304,189	444,277
Expected credit loss recognized (reversed)	8,130	(1,505)
Finance costs	217,780	133,304
Interest income	(101,337)	(58,757)
Dividend income	(138)	(90)
Share of profit of associate	(322,639)	(235,111)
Loss (gain) on disposal of property, plant and equipment	669	(812)
Impairment loss recognized (reversed) on non-financial assets	(204,769)	20,044
Unrealized net loss on foreign currency exchange	254,577	1,691
Recognition (reversal) of provisions	(95,802)	4,023
Other income from liabilities	(13,842)	(11,080)
Net changes in operating assets and liabilities		
Notes receivable	(2,953)	20,825
Trade receivables	1,059,240	(5,755,398)
Other receivables	20,421	(12,955)
Inventories	(2,940,936)	(217,343)
Other current assets	(715,910)	(2,267,703)
Contract liabilities	500,221	(65,047)
Trade payables	(808,744)	692,898
Other payables	43,275	(183,561)
Other current liabilities	(61,652)	(243,379)
Deferred income	(36)	(36)
Cash generated from (used in) operations	599,896	(4,183,408)
Interest received	99,284	70,462
Interest paid	(217,354)	(123,673)
Income tax paid	(468,146)	(549,031)
Net cash generated from (used in) operating activities	13,680	(4,785,650)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(821,045)	(567,743)
Proceeds from disposal of property, plant and equipment	44	9,114
Increase in refundable deposits	(24,526)	(21,744)
Decrease in refundable deposits	11,227	15,814
Payments for intangible assets	(258,397)	(270,032)
Decrease (increase) in other financial assets	(1,081,960)	1,876,535
Increase in other non-current assets	(205,900)	(201,573)

(Continued)

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2019	**2018**
Increase in prepayments for equipment	$ (488,622)	$ (197,490)
Dividend received	70,535	77,726
Net cash generated from (used in) investing activities	(2,798,644)	720,607
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	48,520,000	45,960,000
Repayments of short-term borrowings	(51,330,000)	(44,745,000)
Proceeds from short-term bills payable	37,430,463	32,096,560
Repayments of short-term bills payable	(31,572,783)	(32,096,314)
Proceeds from bonds payable	2,995,980	-
Proceeds from long-term borrowings	26,673,760	22,457,000
Repayments of long-term borrowings	(28,868,579)	(18,647,606)
Proceeds of guarantee deposits received	253,185	229,450
Refund of guarantee deposits	(244,534)	(227,819)
Repayment of the principal portion of lease liabilities	(133,799)	-
Cash dividends distributed	(1,262,102)	(1,064,310)
Net cash generated from financing activities	2,461,591	3,961,961
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(5,383)	187
NET DECREASE IN CASH	(328,756)	(102,895)
CASH AT THE BEGINNING OF THE YEAR	962,896	1,065,791
CASH AT THE END OF THE YEAR	$ 634,140	$ 962,896

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

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(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 (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 Company's functional currency, New Taiwan dollars.

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on March 27, 2020.

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

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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 FSC

   Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group's accounting policies:

   <u>IFRS 16 "Leases"</u>

   IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

The Group elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows.

The Group elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in assets and liabilities on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities. The Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

1) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

3) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.6%. The difference between the lease liabilities recognized and operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 164,996
Less: Recognition exemption for short-term leases	(810)
Undiscounted amounts on January 1, 2019	$ 164,186
Discounted amounts using the incremental borrowing rate on January 1, 2019	$ 162,240
Add: Adjustments as a result of a different treatment of extension and termination options	2,241,573
Not significant lease arrangements in prior period	3,602
Lease liabilities recognized on January 1, 2019	$ 2,407,415

The impact on assets and liabilities as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Right-of-use assets	$ -	$ 2,407,415	$ 2,407,415
Total effect on assets	$ -	$ 2,407,415	$ 2,407,415
Lease liabilities - current	$ -	$ 127,869	$ 127,869
Lease liabilities - non-current	-	2,279,546	2,279,546
Total effect on liabilities	$ -	$ 2,407,415	$ 2,407,415

b. The IFRSs endorsed by the FSC for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

Amendments to IAS 1 and IAS 8 “Definition of material”

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRSs. The concept of “obscuring” material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from “could influence” to “could reasonably be expected to influence”.

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.

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

New IFRSs	Effective Date Announced by IASB (Note)
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, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

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.

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

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

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

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

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

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., 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 6 for the detailed information on subsidiaries (including the percentage of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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

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

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

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and the group entities (including subsidiaries, in other countries that use currency different from the currency of the Company) are translated into the presentation currency - New Taiwan dollars. Income and expense items are translated at the average exchange rates for the year. The resulting currency translation differences are recognized in other comprehensive income.

f. Inventories

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

g. Investment in associates

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

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

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

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

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

h. Property, plant and equipment

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

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

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

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

i. Intangible assets

1) Intangible assets acquired separately

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

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

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

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

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

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

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

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

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

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

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

3) Derecognition of intangible assets

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

j. Impairment of tangible and intangible assets

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

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

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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

i. Financial assets at amortized cost

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

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

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

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

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

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

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

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

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

ii) Breach of contract, such as a default;

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

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

ii. Investments in equity instruments at FVTOCI

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

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

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables and overdue receivables).

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

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

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

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

ii. When a financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

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

c) Derecognition of financial assets

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

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

2) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

l. Provisions

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

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

m. Revenue recognition

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

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

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of aerospace goods.

2) Revenue from rendering of services

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

n. Leasing

2019

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

The Group as lessee

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

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

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

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

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

2018

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

o. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

p. Government grants

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

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

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

r. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

3) Current and deferred tax as for the year

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

5. CRITICAL 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 about 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key Sources of Estimation Uncertainty

a. Write-down of inventory

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

b. Estimate of provision

Provision is measured using estimated cash flows needed to settle the present obligation. If future cash flows will exceed the estimated amount, then the amount of provision may require material adjustment.

6. CASH

	December 31	
	2019	**2018**
Cash on hand and petty cash	$ 147	$ 503
Checking accounts and demand deposits	633,993	962,393
	$ 634,140	$ 962,896
Rates of bank balance (%)	0.08-1.58	0.078-1.1

7. FINANCIAL ASSETS AT FVTOCI

	December 31	
	2019	**2018**
Emerging marked shares		
UHT Unitech Co Ltd. (UHT Ltd.)	$ 53,504	$ 70,400
Unlisted common shares		
Aerovision Avionics Inc. (AAI)	31,684	30,918
Metro Consulting Service Ltd. (Metro Ltd.)	2,146	2,149
	33,830	33,067
	$ 87,334	$ 103,467

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, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2019	2018
Notes receivable	$ 5,637	$ 2,684
Trade receivables from unrelated parties		
At amortized cost		
Gross carrying amount	$ 13,962,722	$ 15,041,936
Less: Allowance for impairment loss	(4,430)	(5,208)
	$ 13,958,292	$ 15,036,728
Other receivables		
Tax return receivables	$ 71,382	$ 84,824
Others	10,536	15,482
	$ 81,918	$ 100,306

The average credit period of sales of goods was 60 to 90 days. 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 by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the 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 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 note receivables, 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
December 31, 2019						
Expected credit loss rate	0%	2%	5%	50%	100%	
Gross carrying amount	$ 13,770,583	$ 193,639	$ 4,137	$ 16,580	$ 6,193	$ 13,991,132
Loss allowance (Lifetime ECL)	-	(4,217)	(213)	(8,507)	(6,193)	(19,130)
Amortized cost	$ 13,770,583	$ 189,422	$ 3,924	$ 8,073	$ -	$ 13,972,002
December 31, 2018						
Expected credit loss rate	0%	2%	5%	50%	100%	
Gross carrying amount	$ 14,801,378	$ 240,577	$ 2,665	$ 2,281	$ 4,687	$ 15,051,588
Loss allowance (Lifetime ECL)	-	(5,075)	(133)	(1,105)	(4,687)	(11,000)
Amortized cost	$ 14,801,378	$ 235,502	$ 2,532	$ 1,176	$ -	$ 15,040,588

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

	For the Year Ended December 31, 2019	
	Trade receivables	Overdue receivables
Balance at January 1, 2019	$ 5,208	$ 5,792
Impairment loss recognized (reversed)	(778)	8,908
Balance at December 31, 2019	$ 4,430	$ 14,700

	For the Year Ended December 31, 2018	
	Trade receivables	Overdue receivables
Balance at January 1, 2018 per IAS 39	$ 2,854	$ 9,651
Adjustment on initial application of IFRS 9	-	-
Balance at January 1, 2018 per IFRS 9	2,854	9,651
Impairment loss recognized (reversed)	2,354	(3,859)
Balance at December 31, 2018	$ 5,208	$ 5,792

9. INVENTORIES

	December 31	
	2019	2018
Raw materials	$ 5,546,698	$ 3,629,155
Work in progress	4,273,336	3,168,886
	$ 9,820,034	$ 6,798,041

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

	For the Year Ended December 31	
	2019	2018
Recognition (reversal) of inventory write-downs	$ (204,769)	$ 18,044
Indemnity income	(131,655)	(45,219)
Income from sales of scraps	(25,641)	(47,728)
Loss on disposal of inventories	69,384	37,144

Reversal of inventory write-downs were resulting from sold inventories.

10. SUBSIDIARIES

Subsidiary included in consolidated financial statements:

		% of Ownership	
		December 31	
Investor	Investee	2019	2018
The Company	AIDC USA LLC (AIDC USA)	100	100

For the main businesses of AIDC USA, refer to Table 6.

The subsidiary included in consolidated financial statements is an immaterial subsidiary, and the financial statements have been audited.

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2019	2018
<u>Investment in associate</u>		
International Turbine Engine Company LLC (ITEC)	$ 838,039	$ 602,985

As of December 31, 2019 and 2018, the ownership and voting right of ITEC held by the Group were both 22.05%.

Refer to “Table 6: 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 been audited for the same years.

12. PROPERTY, PLANT AND EQUIPMENT

	For the Year Ended December 31, 2019					
	Balance, Beginning of Year	Additions	Deductions	Reclassification	Effects of Foreign Currency Exchange Differences	Balance, End of Year
Cost						
Land improvements	$ 120,739	$ -	$ -	$ -	$ -	$ 120,739
Buildings	5,916,217	17,283	(14,329)	45,813	-	5,964,984
Machinery and equipment	12,769,490	534,492	(89,224)	309,668	(2)	13,524,424
Transportation equipment	732,912	10,650	(11,156)	-	(30)	732,376
Other equipment	787,624	14,696	(2,647)	6,446	(5)	806,114
Property in construction	30,060	286,432	-	(38,509)	-	277,983
	20,357,042	$ 863,553	$ (117,356)	$ 323,418	$ (37)	21,426,620
Accumulated depreciation						
Land improvements	115,514	$ 1,149	$ -	$ -	$ -	116,663
Buildings	2,827,642	181,332	(13,672)	-	-	2,995,302
Machinery and equipment	7,898,219	712,833	(89,169)	-	(1)	8,521,882
Transportation equipment	693,812	11,531	(11,156)	-	(23)	694,164
Other equipment	347,421	63,705	(2,647)	-	(3)	408,476
	11,882,608	$ 970,550	$ (116,644)	$ -	$ (27)	12,736,487
Impairment						
Buildings	26,258	$ -	$ -	$ -	$ -	26,258
Machinery and equipment	95,457	-	-	-	-	94,547
	121,715	$ -	$ -	$ -	$ -	121,715
	$ 8,352,719					$ 8,568,418

	For the Year Ended December 31, 2018					
	Balance, Beginning of Year	Additions	Deductions	Reclassification	Effects of Foreign Currency Exchange Differences	Balance, End of Year
Cost						
Land improvements	$ 121,314	$ -	$ (575)	$ -	$ -	$ 120,739
Buildings	5,885,214	28,891	-	2,112	-	5,916,217
Machinery and equipment	12,472,099	428,145	(179,008)	48,252	2	12,769,490
Transportation equipment	735,258	897	(3,282)	-	39	732,912
Other equipment	768,605	23,814	(6,147)	1,346	6	787,624
Property in construction	1,245	30,907	-	(2,092)	-	30,060
	19,983,735	$ 512,654	$ (189,012)	$ 49,618	$ 47	20,357,042
Accumulated depreciation						
Land improvements	114,522	$ 1,555	$ (563)	$ -	$ -	115,514
Buildings	2,649,893	177,749	-	-	-	2,827,642
Machinery and equipment	7,403,717	665,236	(170,735)	-	1	7,898,219
Transportation equipment	683,362	13,716	(3,282)	-	16	693,812
Other equipment	291,872	61,677	(6,130)	-	2	347,421
	11,143,366	$ 919,933	$ (180,710)	$ -	$ 19	11,882,608
Impairment						
Buildings	26,258	$ -	$ -	$ -	$ -	26,258
Machinery and equipment	95,457	-	-	-	-	95,457
	121,715	$ -	$ -	$ -	$ -	121,715
	$ 8,718,654					$ 8,352,719

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	2-15 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 - 2019

	December 31, 2019
Carrying amounts	
Land	$ 2,260,856
Buildings	12,095
Machinery and equipment	12,575
Transportation equipment	1,033
Other equipment	5,840
	$ 2,292,399

	For the Year Ended December 31, 2019
Additions to right-of-use assets	$ 35,586
Depreciation charge for right-of-use assets	
Land	$ 142,956
Buildings	5,018
Machinery and equipment	1,576
Transportation equipment	453
Other equipment	599
	$ 150,602

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	
Current	$ 141,411
Non-current	$ 2,167,424

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Land	1.6%
Buildings	1.6%-5%
Machinery and equipment	1.6%
Transportation equipment	3.14%-3.39%
Other equipment	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

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	$ 29,779
Expenses relating to low-value asset leases	$ 782
Total cash outflow for leases	$ (164,360)

The Group leases certain buildings, 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.

2018

The future minimum lease payments of non-cancellable operating lease commitments are as follows:

	December 31, 2018
Not later than 1 year	$ 164,996

14. INTANGIBLE ASSETS

	December 31	
	2019	2018
Other intangible assets		
Computer software	$ 121,479	$ 113,492
Deferred technical cooperation expenses	24,017	30,262
Patent	859	899
Trademark	124	175
	146,479	144,828
Developing intangible assets		
Projects non-recurring costs	1,100,491	722,957
	$ 1,246,970	$ 867,785

	Other Intangible Assets	Developing Intangible Assets
Cost		
Balance at January 1, 2019	$ 1,006,992	$ 6,090,547
Additions from internal developments	-	243,982
Additions	58,571	-
Disposals	(21)	(2,937)
Reclassification	28,360	359,361
Balance at December 31, 2019	$ 1,093,902	$ 6,690,953
Accumulated amortization and impairment		
Balance at January 1, 2019	$ 862,164	$ 5,367,590
Amortization expense	85,261	203,728
Disposals	(2)	(2,937)
Reclassification	-	22,081
Balance at December 31, 2019	$ 947,423	$ 5,590,462
Carrying amounts at December 31, 2019	$ 146,479	$ 1,100,491
Cost		
Balance at January 1, 2018	$ 944,254	$ 5,857,993
Additions from internal developments	-	232,554
Additions	65,354	-
Disposals	(6,913)	-
Reclassification	4,297	-
Balance at December 31, 2018	$ 1,006,992	$ 6,090,547

(Continued)

	Other Intangible Assets	Developing Intangible Assets
Accumulated amortization and impairment		
Balance at January 1, 2018	$ 792,280	$ 5,009,563
Amortization expense	76,797	356,027
Disposals	(6,913)	-
Impairment loss recognized in profit and loss	-	2,000
Balance at December 31, 2018	$ 862,164	$ 5,367,590
Carrying amounts at December 31, 2018	$ 144,828	$ 722,957

(Concluded)

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	10-15 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 in the years of 2019 and 2018 were 0.28%-2.73% and 0.28%-3%, respectively.

16. OTHER ASSETS

	December 31	
	2019	2018
Current		
Prepayment	$ 4,481,866	$ 3,801,375
Others	105,252	69,833
	$ 4,587,118	$ 3,871,208

	December 31	
	2019	2018
Non-current		
Overdue receivables (Note 8)	$ 22,773	$ 6,968
Less: Allowance for impairment loss	(14,700)	(5,792)
	8,073	1,176
Refundable deposits	35,064	21,772
Other	23,324	181,477
	$ 66,461	$ 204,425

17. BORROWINGS

a. Short-term borrowings

	December 31	
	2019	2018
Unsecured borrowings	$ 3,920,000	$ 7,730,000
Secured borrowings (Note 30)	1,000,000	-
	$ 4,920,000	$ 7,730,000
Rates of interest per annum (%)		
Unsecured borrowings	0.85-0.899	0.86-1.5
Secured borrowings	0.78	-

b. Short-term bills payable

	December 31	
	2019	2018
Commercial paper	$ 8,360,000	$ 2,500,000
Less: Unamortized discount on bills payable	(2,745)	(425)
	$ 8,357,255	$ 2,499,575
Rate of interest per annum (%)	0.64-0.77	0.53-0.77

c. Long-term borrowings

	December 31	
	2019	2018
Credit borrowings	$ 4,128,299	$ 6,327,635
Secured borrowings (Note 30)	1,800,000	1,800,000
	5,928,299	8,127,635
Less: Current portion	-	(5,289,606)
Long-term borrowings	$ 5,928,299	$ 2,838,029
Rates of interest per annum (%)		
Credit borrowings	0.85-1.11	0.85-1.13
Secured borrowings	0.78	0.78

18. BONDS PAYABLE

	December 31	
	2019	2018
Unsecured domestic bonds	$ 3,000,000	$ -
Less: Unamortized discount on bonds payable	(3,790)	-
	$ 2,996,210	$ -

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 the repayment is due 5 years from the date of issuance.

19. OTHER PAYABLES

	December 31	
	2019	2018
Payable for salaries and bonuses	$ 1,397,116	$ 1,453,985
Payable for outsourcing	917,542	748,847
Payable for purchase of equipment	271,891	229,855
Payable for annual leave	165,988	105,964
Payable for employee’s compensation and remuneration of directors	120,294	136,404
Payable for service fee	88,290	138,807
Others	643,926	704,831
	$ 3,605,047	$ 3,518,693

20. PROVISIONS - NON-CURRENT

	December 31	
	2019	2018
Warranties	$ 452,186	$ 656,794
Others	99,367	114,273
	$ 551,553	$ 771,067

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

a. Defined contribution plans

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

AIDC USA has not established a retirement plan in accordance with local ordinances.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes to a pension fund administered by the pension fund monitoring committee; the amounts of contributions were equal to 16.29% and 16.31% of total monthly salaries and wages for the years ended December 31, 2019 and 2018, respectively. Pension contributions are deposited in the Bank of Taiwan in the committee's name and are managed by the Bureau of Labor Funds, Ministry of Labor ("the "Bureau"). Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The Company has no right to influence the investment policy and strategy.

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

	December 31	
	2019	2018
Present value of defined benefit obligation	$ 2,245,092	$ 1,889,063
Fair value of plan assets	(2,183,279)	(1,806,616)
Net defined benefit liabilities	$ 61,813	$ 82,447

Movements in net defined benefit asset were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2018	$ 1,425,694	$ (1,392,272)	$ 33,422
Service cost			
Current service cost	411,360	-	411,360
Net interest expense (income)	12,043	(13,501)	(1,458)
Recognized in profit or loss	423,403	(13,501)	409,902
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(36,999)	(36,999)
Actuarial gain - changes in financial assumptions	(8,854)	-	(8,854)
Actuarial loss - experience adjustments	94,878	-	94,878
Recognized in other comprehensive income (loss)	86,024	(36,999)	49,025
Contributions from the employer	-	(409,902)	(409,902)
Benefits paid	(46,058)	46,058	-
Balance at December 31, 2018	1,889,063	(1,806,616)	82,447
Service cost			
Current service cost	423,927	-	423,927
Net interest expense (income)	16,545	(17,706)	(1,161)
Recognized in profit or loss	440,472	(17,706)	422,766
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(57,238)	(57,238)
Actuarial loss - changes in financial assumptions	38,202	-	38,202
Actuarial gain - experience adjustments	(1,598)	-	(1,598)
Recognized in other comprehensive income (loss)	36,604	(57,238)	(20,634)
Contributions from the employer	-	(422,766)	(422,766)
Benefits paid	(121,047)	121,047	-
Balance at December 31, 2019	$ 2,245,092	$ (2,183,279)	$ 61,813

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

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

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

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

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

	December 31	
	2019	**2018**
Discount rate(s)	0.65%	0.90%
Expected rate(s) of salary increase	1.50%	1.50%

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

	December 31	
	2019	**2018**
Discount rate(s)		
0.25% increase	$ (39,049)	$ (35,718)
0.25% decrease	$ 40,049	$ 36,687
Expected rate(s) of salary increase		
0.25% increase	$ 39,610	$ 36,376
0.25% decrease	$ (38,820)	$ (35,596)

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

	December 31	
	2019	**2018**
The expected contributions to the plan for the next year	$ 410,076	$ 422,766
The average duration of the defined benefit obligation	6.9 years	7.55 years

22. EQUITY

a. Ordinary shares

	December 31	
	2019	**2018**
Number of shares authorized (in thousands)	1,500,000	1,500,000
Shares authorized	$ 15,000,000	$ 15,000,000
Number of shares issued and fully paid (in thousands)	941,867	941,867
Shares issued	$ 9,418,671	$ 9,418,671

b. Retained earnings and dividend policy

The Company's Articles of Incorporation provide that the annual net income after paying income tax should be used first to make up for prior years' losses, set aside 10% as a legal reserve and appropriate or reverse special reserve. The residual earnings will be allocated by the resolution in the shareholders' meeting. For information about the accrual basis of the employees' compensation 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 2018 and 2017 which were approved in the shareholders' meetings on May 31, 2019, and June 26, 2018, respectively, were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	2018	**2017**	**2018**	**2017**
Legal reserve	$ 207,007	$ 171,192		
Special reserve	588,848	460,153		
Cash dividends	1,262,102	1,064,310	$ 1.34	$ 1.13

The appropriations of earnings for 2019 were proposed by the Company's board of directors on March 27, 2020. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 189,079	
Special reserve	29,809	
Reverse special reserve	(621,020)	
Cash dividends	1,120,822	$ 1.19

The appropriations of earnings for 2019 are subject to the resolution of the shareholders' meeting to be held in May 2020.

23. REVENUE

	For the Year Ended December 31	
	2019	**2018**
Aircraft/vehicle maintenance	$ 16,072,427	$ 15,964,570
Aero/industrial engine	11,917,333	11,818,385
Industrial technology services	550,447	399,143
	$ 28,540,207	$ 28,182,098

24. NET PROFIT

a. Other income

	For the Year Ended December 31	
	2019	2018
Interest income	$ 101,337	$ 58,757
Remedy income	41,055	37,224
Other income from condoned liabilities	13,842	11,080
Others	72,339	81,618
	$ 228,573	$ 188,679

b. Other gains and losses

	For the Year Ended December 31	
	2019	2018
Net foreign exchange gains (losses)	$ (209,592)	$ 213,750
Gain (loss) on disposal of property, plant and equipment	(669)	812
Impairment loss	-	(2,000)
Others	(197,000)	(197,188)
	$ (407,261)	$ 15,374

c. Employee benefits, depreciation and amortization

	Operating Cost	Operating Expense	Non-operating Expense	Transfer to Developing Intangible Assets	Capital cost	Total
For the Year Ended December 31, 2019						
Employee benefits expense						
Salaries expense	$ 4,807,978	$ 605,750	$ 10,489	$ 62,830	$ 5,370	$ 5,492,417
Retirement benefit						
Defined contribution plans	78,431	10,905	162	1,306	121	90,925
Defined benefit plans	364,675	50,704	751	6,071	565	422,766
Labor and health insurance	310,552	35,924	62,588	4,249	386	413,699
Other employee benefits	48,235	5,533	9,598	62	6	63,434
Depreciation expense	1,002,424	62,767	23,424	30,600	1,967	1,121,182
Amortization expense	289,597	14,562	30	11,527	65	315,781
For the Year Ended December 31, 2018						
Employee benefits expense						
Salaries expense	4,834,015	593,173	12,699	60,698	112	5,500,697
Retirement benefit						
Defined contribution plans	70,009	9,111	150	1,104	2	80,376
Defined benefit plans	357,030	46,465	767	5,629	11	409,902
Labor and health insurance	299,810	32,435	60,596	4,013	8	396,862
Other employee benefits	54,572	6,012	10,909	55	-	71,548
Depreciation expense	828,360	51,767	20,162	19,618	26	919,933
Amortization expense	433,658	10,580	39	8,642	1	452,920

d. Employees' compensation and remuneration of directors

The Company stipulates distribution of employees' compensation and remuneration of directors at the rates no less than 0.58% and no higher than 4.65%, respectively, of net profit before income tax.

The employees' compensation and remuneration of directors for 2019 and 2018 which were resolved by the board of directors on March 27, 2020 and March 28, 2019, were as follows:

	For the Year Ended December 31			
	2019		2018	
	The Proportion of Estimate	Amount of Money	The Proportion of Estimate	Amount of Money
Employees' compensation	4.65%	$ 106,953	4.65%	$ 121,277
Remuneration of directors	0.58%	13,341	0.58%	15,127

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 the accounting estimate.

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2018 and 2017.

Information on the employees' compensation and the remuneration of directors resolved by the Company's board of directors in 2020 and 2019 are available at the Market Observation Post System website of the Taiwan Stock Exchange.

e. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2019	2018
Foreign exchange gains	$ 199,440	$ 521,564
Foreign exchange losses	(409,032)	(307,814)
Net gains (losses)	$ (209,592)	$ 213,750

f. Finance costs

Information about capitalized interest is as follows:

	For the Year Ended December 31	
	2019	2018
Capitalized interest amount	$ 851	$ -
Capitalization rate (%)	0.83-1.11	-

25. TAXES

a. Tax expense recognized in profit or loss

Major components of tax expense is as follows:

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	$ 463,252	$ 446,980
Income tax on unappropriated earnings	30,843	43,539
Adjustments for prior years	496	(4,022)
Investment credits	(24,645)	-
	469,946	486,497
Deferred tax		
In respect of the current year	27,304	122,565
Adjustments to deferred tax attributable to change in tax rates and laws	-	(49,060)
	27,304	73,505
Income tax expense recognized in profit or loss	$ 497,250	$ 560,002

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

	For the Year Ended December 31	
	2019	2018
Income tax expense calculated at the statutory rate	$ 531,478	$ 565,539
Nondeductible expenses in determining taxable income	56	123
Tax-exempt income	(27)	(18)
Income tax on unappropriated earnings	30,843	43,539
Temporary differences	(40,951)	3,901
Investment credits	(24,645)	-
Adjustments to deferred tax attributable to change in tax rates and laws	-	(49,060)
Adjustments for prior years' tax	496	(4,022)
Income tax expense recognized in profit or loss	$ 497,250	$ 560,002

The Income Tax Act in the ROC was amended in 2018 and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings was reduced from 10% to 5%. The applicable tax rate used by a subsidiary in the united states is 39.5%.

According to the "Regulations Governing Application of Tax Credits for Corporate or Limited Partnership in Smart Machines and 5th Generation Mobile Networks", the Company deducted the value of profitable business for the year ended December 31, 2019 within the 5% limit of the investment in smart machinery and did not exceed 30% of the income from profit-making business for the year ended December 31, 2019.

As the status of the 2020 appropriation of earnings is uncertain, the potential income tax consequences of the 2019 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income (loss)

	For the Year Ended December 31	
	2019	**2018**
Deferred tax		
Remeasurement of defined benefit plan	$ 4,127	$ (10,808)

c. Deferred tax assets and liabilities

	For the Year Ended December 31, 2019			
	Opening Balance	**Recognized in Profit or Loss**	**Recognized in Other Comprehensive Income (Loss)**	**Closing Balance**
Deferred tax assets				
Temporary differences				
Provisions	$ 154,215	$ (43,904)	$ -	$ 110,311
Intangible assets	68,935	-	-	68,935
Property plant and equipment	24,343	-	-	24,343
Payable for annual leave	21,192	12,005	-	33,197
Defined benefit plan	16,490	-	(4,127)	12,363
Unrealized loss on foreign currency exchange	171	52,539	-	52,710
Right-of-use assets	-	3,270	-	3,270
Others	783	(50)	-	733
	$ 286,129	$ 23,860	$ (4,127)	$ 305,862
Deferred tax liabilities				
Temporary differences				
Investment accounted for using equity method	$ 65,179	$ 51,164	$ -	$ 116,343

	For the Year Ended December 31, 2018			
	Opening Balance	**Recognized in Profit or Loss**	**Recognized in Other Comprehensive Income (Loss)**	**Closing Balance**
Deferred tax assets				
Temporary differences				
Provisions	$ 159,655	$ (5,440)	$ -	$ 154,215
Intangible assets	58,254	10,681	-	68,935
Unrealized loss on foreign currency exchange	42,851	(42,680)	-	171
Property plant and equipment	20,692	3,651	-	24,343
Payable for annual leave	18,190	3,002	-	21,192
Defined benefit plan	5,682	-	10,808	16,490
Others	-	783	-	783
	$ 305,324	$ (30,003)	$ 10,808	$ 286,129

	For the Year Ended December 31, 2018			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Closing Balance
Deferred tax liabilities				
Temporary differences				
Investment accounted for using equity method	$ 21,633	$ 43,546	$ -	$ 65,179
Others	44	(44)	-	-
	$ 21,677	$ 43,502	$ -	$ 65,179

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

	December 31	
	2019	2018
Deductible temporary differences		
Inventories	$ 1,955,953	$ 2,160,722

e. Income tax assessments

Income tax returns of the Company through 2017 have been examined and cleared by the tax authorities.

26. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2019	2018
Basic earnings per share	$ 1.99	$ 2.22
Diluted earnings per share	$ 1.98	$ 2.21

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

	For the Year Ended December 31	
	2019	2018
Profit for the year attributable to owners of the Company		
Earnings used in the computation of basic earnings per share (Earnings used in the computation of diluted earnings per share)	$ 1,874,287	$ 2,092,016

	For the Year Ended December 31	
	2019	2018
Weighted average number of ordinary shares outstanding (in thousand shares)		
Weighted average number of ordinary shares in computation of basic earnings per share	941,867	941,867
Effect of potentially dilutive ordinary shares		
Employees' compensation issue to employees	3,919	4,689
Weighted average number of ordinary shares used in the computation of diluted earnings per share	945,786	946,556

If the Company's compensation or bonuses payable to employees can be settled in cash or shares, then the Company should assume the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares, if dilutive, should 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 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 (borrowings offset by cash 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 financial statements approximate their fair values or their fair values cannot be reliably measured.

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

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
December 31, 2019				
Financial assets at FVTOCI				
Investments in equity instruments				
Emerging market shares	$ 53,504	$ -	$ -	$ 53,504
Unlisted shares	-	-	33,830	33,830
	$ 53,504	$ -	$ 33,830	$ 87,334

	Level 1	Level 2	Level 3	Total
December 31, 2018				
Financial assets at FVTOCI				
Investments in equity instruments				
Emerging market shares	$ 70,400	$ -	$ -	$ 70,400
Unlisted shares	-	-	33,067	33,067
	$ 70,400	$ -	$ 33,067	$ 103,467

There were no transfers between Levels 1 and 2 for the years ended December 31, 2019 and 2018, respectively.

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

Financial Assets	Financial Assets at FVTOCI Equity Instruments
For the Year Ended December 31, 2019	
Balance at January 1, 2019	$ 33,067
Recognized in other comprehensive gain	763
Balance at December 31, 2019	$ 33,830
For the Year Ended December 31, 2018	
Balance at January 1, 2018	$ 33,848
Recognized in other comprehensive loss	(781)
Balance at December 31, 2018	$ 33,067

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

	December 31	
	2019	2018
Financial assets		
Financial assets at amortized cost	$ 17,804,298	$ 18,379,326
Investments in equity instruments at FVTOCI - non-current	87,334	103,467
Financial liabilities		
Financial liabilities at amortized cost	25,839,141	22,745,084

Financial assets at amortized cost comprise cash, 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 fixed assets are laid out in its "Five-Year Business Plan". The financial plan includes risk management policies and the division of responsibilities.

The Group's major financial instruments include cash, trade receivable, short-term borrowings, trade payables, bonds payable and long-term borrowings. The financial department coordinates access to domestic financial markets.

The Group's compliance with the operating procedure and responsibilities are reviewed by the internal auditors. The evaluation results are also used for future reference by the authorities.

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 US 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 $49,871 thousand and $48,356 thousand for the years ended December 31, 2019 and 2018, 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, long-term borrowings 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 years ended December 31, 2019 and 2018 would decrease/increase by $20,121 thousand and $33,394 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 U.S.United States, which accounted for 41% and 40% of the total trade receivable as of December 31, 2019 and 2018, 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 December 31, 2019 and 2018, 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
December 31, 2019			
Non-interest bearing liabilities	$ 3,422,986	$ 214,391	$ -
Lease liabilities	178,032	839,678	1,858,343
Variable interest rate liabilities	2,120,000	5,928,299	-
Fixed interest rate liabilities	11,160,000	3,000,000	-
	$ 16,881,018	$ 9,982,368	$ 1,858,343
December 31, 2018			
Non-interest bearing liabilities	$ 4,182,134	$ 205,740	$ -
Variable interest rate liabilities	10,519,606	2,838,029	-
Fixed interest rate liabilities	5,000,000	-	-
	$ 19,701,740	$ 3,043,769	$ -

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

b) Financing facilities (reviewed annually)

	December 31	
	2019	2018
Unsecured bank overdraft facility:		
Amount unused	$ 13,832,767	$ 4,975,573
Secured bank loan facilities:		
Amount unused	$ -	$ 1,000,000

29. TRANSACTIONS WITH RELATED PARTIES

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

a. Related Party Categories / Names

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

b. Sales of goods

	For the Year Ended December 31	
Related Parties Name	2019	2018
ITEC	$ 804,801	$ 1,254,290

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

Item	Collection terms
Engine	90 days after the invoice date
Backup parts	Offset account receivables with account payable

There is no unrelated party with similar product item to compare the engine sales price. The backup parts are only directly sold to the ROC Air Force, and the sales price is according to the purchase contract with related party plus the processing fee agreed by both parties, and collection term is 1-2 months.

c. Purchase of goods

	For the Year Ended December 31	
Related Parties Name	**2019**	**2018**
ITEC	$ 1,258,093	$ 924,826

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

d. Manufacturing expenses

	For the Year Ended December 31	
Related Parties Name	**2019**	**2018**
ITEC	$ 754,238	$ 487,619

e. Receivable from related parties

	December 31	
Related Parties Name	**2019**	**2018**
ITEC	$ 131,561	$ 310,857

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

	December 31	
Related Parties Name	**2019**	**2018**
ITEC	$ 848,582	$ 796,598

g. Payable to related parties

	December 31	
Related Parties Name	**2019**	**2018**
ITEC	$ 79,880	$ 294,289

The outstanding trade payables to related parties are unsecured.

h. Other payables

Related Parties Name	December 31 2019	2018
ITEC	$ 14,977	$ 90,391

i. Compensation of key management personnel

	For the Year Ended December 31 2019	2018
Short-term benefits	$ 37,217	$ 36,098
Post-employment benefits	4,612	1,279
	$ 41,829	$ 37,377

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:

	December 31 2019	2018
Property, plant and equipment	$ 2,049,647	$ 2,121,409
Other financial assets - Current	2,910,045	1,860,093
Other financial assets - Non - current	14,054	10,807
	$ 4,973,746	$ 3,992,309

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

a. As of December 31, 2019 and 2018, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately $519,571 thousand and $114,076 thousand, respectively.

b. As of December 31, 2019 and 2018, unpaid contract for purchases of raw materials and machinery and equipment amounted to approximately $35,452,777 thousand and $36,761,294 thousand, respectively.

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

The 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:

	December 31					
	2019			2018		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Assets						
Monetary items						
USD	$ 339,937	29.98	$10,191,311	$ 323,600	30.715	$ 9,939,374
Non-monetary items						
USD	28,517	29.98	854,928	20,241	30.715	621,696
Liabilities						
Monetary items						
USD	7,241	29.98	217,085	8,732	30.715	268,203

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

	For the Year Ended December 31			
	2019		2018	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Loss	Exchange Rate	Net Foreign Exchange Loss
USD	29.98	$(268,468)	30.715	$ (1,035)

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

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

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

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

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

9) Trading in derivative instruments. (None)

10) Intercompany relationships and significant intercompany transactions. (Table 5)

11) Information on investees. (Table 6)

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

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.

a. Geographical information

	For the Year Ended December 31	
	2019	**2018**
Asia	$ 12,874,626	$ 12,792,812
America	13,199,209	12,488,381
Europe	2,466,372	2,900,905
	$ 28,540,207	$ 28,182,098

b. Information on major customers

Single customers that contributed 10% or more to the Group's revenue were as follows:

	For the Year Ended December 31			
	2019		**2018**	
	Amount	**%**	**Amount**	**%**
Customer A	$ 6,541,094	23	$ 5,060,199	18
Customer B	4,535,924	16	3,554,997	13
Customer C	4,247,228	15	3,514,216	12

TABLE 1

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019			
				Number of Shares	Carrying Value	Percentage of Ownership	Fair Value
The Company	Share Capital						
	UHT Ltd.	-	Financial assets at FVTOCI - non-current	1,100	$ 53,504	3.15%	$ 53,504
	AAI	The Company is a corporate director	Financial assets at FVTOCI - non-current	4,968	31,684	13.09%	31,684
	Metro Ltd.	The Company is a corporate director	Financial assets at FVTOCI - non-current	300	2,146	6%	2,146

TABLE 2

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COST FOR AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
The Company	Building	2019.4.17	$ 705,714	Payment after each construction inspection	TAI JHOU CONSTRUCTION CO.	-	N/A	N/A	N/A	N/A	Price comparison and negotiation	Production	None

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(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	$ (780,213)	(3)	Note	Note	Note	$ 128,327	1	
			Purchase	1,258,093	8	Note	Note	Note	(79,880)	(5)	

Note: Information is provided in Note 29.

TABLE 4

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2019
(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	$ 128,327	3.59	$ -	-	$ 101,520	$ -

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019
(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 of goods	$ 1,614	T/T 30 - 60 days	-
		AIDC USA	Parent company to subsidiary	Manufacturing expenses	31,086	T/T 30 - 60 days	-
		AIDC USA	Parent company to subsidiary	Operation expenses	21,259	T/T 30 - 60 days	-
		AIDC USA	Parent company to subsidiary	Other payables	5,962	T/T 30 - 60 days	-
1	AIDC USA	ITEC	Subsidiary to associates	Sales	24,588	T/T 30 - 60 days	-
		ITEC	Subsidiary to associates	Trade receivables	3,234	T/T 30 - 60 days	-

Note: Significant intercompany accounts and transactions have been eliminated.

TABLE 6

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2019			Net Income of the Investee	Share of Profits	Note
				December 31, 2019	December 31, 2018	Shares	%	Carrying Amount			
The Company	AIDC USA	State of 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	$ 854,928	$ 255,822	$ 255,822	Subsidiary
AIDC USA	ITEC	State of Delaware USA	Development production and remodel of aircraft	728	728	-	22.05	838,039	1,463,216	322,639	Associate