

**(English Translation of Consolidated Financial Statements Originally Issued in Chinese)**  
**AIR ASIA CO., LTD. AND SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Review Report**  
**For the Three Months Ended March 31, 2020 and 2019**

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The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

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## Independent Auditors' Review Report

To the Board of Directors of AIR ASIA CO., LTD.:

### Introduction

We have reviewed the accompanying consolidated balance sheets of AIR ASIA CO., LTD. and its subsidiaries as of March 31, 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards (“IASs”) 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standard 65, “Review of Financial Information Performed by the Independent Auditor of the Entity”. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of AIR ASIA CO., LTD. and its subsidiaries as of March 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IASs 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Other Matter

The consolidated financial statements of AIR ASIA CO., LTD. and its subsidiaries for the three months ended March 31, 2019, were reviewed by another auditor, who expressed an unmodified conclusion on these statements on May 2, 2019.



The engagement partners on the reviews resulting in this independent auditors' review report are Yen-Ta Su and Hui-Yuan Chen.

KPMG

Tainan, Taiwan (Republic of China)  
May 6, 2020

**Notes to Readers**

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

The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**Reviewed only, not audited in accordance with the generally accepted auditing standards as of March 31, 2020 and 2019**

**AIR ASIA CO., LTD. AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**March 31, 2020, December 31, 2019, and March 31, 2019**

(Expressed in Thousands of New Taiwan Dollars)

Assets		March 31, 2020		December 31, 2019		March 31, 2019		Liabilities and Equity		March 31, 2020		December 31, 2019		March 31, 2019	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
<b>Current assets:</b>								<b>Current liabilities:</b>							
1100	Cash and cash equivalents (note 6(a))	\$ 263,410	6	145,757	3	160,839	4	2100	Short-term loans (notes 6(i) and 8)	\$ 760,000	16	600,000	13	650,000	16
1140	Contract assets—current (note 6(q))	318,402	7	321,579	7	381,040	10	2110	Short-term notes payable (note 6(i))	659,776	14	449,840	10	329,737	8
1170	Notes and trade receivables, net (notes 6(b)(q))	1,262,410	27	1,209,766	27	833,654	21	2120	Financial liabilities at fair value through profit or loss—current (note 6(j))	2,480	-	1,470	-	-	-
1200	Other receivables (note 6(c))	13,622	-	20,969	-	13,645	-	2130	Contract liabilities—current (note 6(q))	16,342	-	4,956	-	46,541	1
130X	Inventories (note 6(d))	1,448,817	31	1,514,312	33	1,223,630	30	2170	Trade payables	216,619	5	348,623	8	344,958	9
1410	Prepayments	101,441	2	34,362	1	48,714	1	2200	Other payables (note 6(o))	186,575	4	262,112	6	166,463	4
1478	Refundable deposits—current (note 8)	146,711	3	128,824	3	158,935	4	2250	Provisions—current (note 6(k))	21,374	-	31,492	1	22,091	1
1479	Other current assets	1,174	-	1,488	-	4,063	-	2280	Lease liabilities—current (note 6(l))	20,238	-	15,399	-	16,075	-
	<b>Total current assets</b>	<u>3,555,987</u>	<u>76</u>	<u>3,377,057</u>	<u>74</u>	<u>2,824,520</u>	<u>70</u>	2320	Current portion of long-term loans (notes 6(i) and 8)	75,000	2	37,500	1	26,042	1
<b>Non-current assets:</b>								2399	Other current liabilities	6,974	-	6,515	-	8,595	-
1600	Property, plant and equipment (notes 6(e) and 8)	714,951	15	703,719	16	721,415	18		<b>Total current liabilities</b>	<u>1,965,378</u>	<u>41</u>	<u>1,757,907</u>	<u>39</u>	<u>1,610,502</u>	<u>40</u>
1755	Right-of-use assets (note 6(f))	268,821	6	269,456	6	281,395	7	<b>Non-Current liabilities:</b>							
1780	Intangible assets (note 6(g))	6,907	-	6,351	-	7,985	-	2530	Bonds payable (note 6(j))	476,677	10	474,972	10	-	-
1840	Deferred tax assets	64,806	1	59,823	1	68,359	2	2540	Long-term loans (notes 6(i) and 8)	445,000	10	442,500	10	369,792	8
1955	Incremental costs of obtaining contracts—non-current (note 6(q))	29,475	-	32,669	1	42,266	1	2580	Lease liabilities—non-current (note 6(l))	254,048	5	255,327	6	265,617	7
1990	Other non-current assets (notes 6(b)(e)(h) and 8)	72,655	2	96,438	2	74,438	2	2640	Net defined benefit liability—non-current (note 6(m))	-	-	11,059	-	102,596	3
	<b>Total non-current assets</b>	<u>1,157,615</u>	<u>24</u>	<u>1,168,456</u>	<u>26</u>	<u>1,195,858</u>	<u>30</u>		<b>Total non-current liabilities</b>	<u>1,175,725</u>	<u>25</u>	<u>1,183,858</u>	<u>26</u>	<u>738,005</u>	<u>18</u>
									<b>Total liabilities</b>	<u>3,141,103</u>	<u>66</u>	<u>2,941,765</u>	<u>65</u>	<u>2,348,507</u>	<u>58</u>
								<b>Equity attributable to owners of parent (notes 6(j)(n)(o)):</b>							
								3110	Common stock	1,201,200	25	1,201,200	26	1,201,200	30
								3200	Capital surplus	273,054	6	273,054	6	361,206	9
									Retained earnings:						
								3310	Legal reserve	118,606	3	118,606	3	117,066	3
								3350	Unappropriated retained earnings (accumulated deficit)	(20,460)	-	10,811	-	(7,750)	-
										98,146	3	129,417	3	109,316	3
								3400	Other equity	99	-	77	-	149	-
									<b>Total equity</b>	<u>1,572,499</u>	<u>34</u>	<u>1,603,748</u>	<u>35</u>	<u>1,671,871</u>	<u>42</u>
<b>Total assets</b>		<u>\$ 4,713,602</u>	<u>100</u>	<u>4,545,513</u>	<u>100</u>	<u>4,020,378</u>	<u>100</u>	<b>Total liabilities and equity</b>		<u>\$ 4,713,602</u>	<u>100</u>	<u>4,545,513</u>	<u>100</u>	<u>4,020,378</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
Reviewed only, not audited in accordance with generally accepted auditing standards

**AIR ASIA CO., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

**For the three months ended March 31, 2020 and 2019**

**(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)**

		<b>For the three months ended March 31</b>			
		<b>2020</b>		<b>2019</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4000	Operating revenue (notes 6(q) and 7)	\$ 811,136	100	885,504	100
5000	Operating costs (notes 6(d)(l)(m)(q)(r) and 12)	<u>760,870</u>	<u>94</u>	<u>797,888</u>	<u>90</u>
5900	<b>Gross profit</b>	<u>50,266</u>	<u>6</u>	<u>87,616</u>	<u>10</u>
6000	<b>Operating expenses (notes 6(b)(l)(m)(r) and 12):</b>				
6100	Selling expenses	13,332	2	17,225	2
6200	Administrative expenses	53,330	6	52,326	6
6300	Research and development expenses	-	-	6,243	1
6450	Expected credit loss	<u>887</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>67,549</u>	<u>8</u>	<u>75,794</u>	<u>9</u>
6900	<b>Operating income (loss)</b>	<u>(17,283)</u>	<u>(2)</u>	<u>11,822</u>	<u>1</u>
7000	<b>Non-operating income and expenses (notes 6(j)(l)(s)):</b>				
7010	Other income	913	-	2,121	-
7020	Other gains and losses	(580)	-	1,036	-
7050	Finance costs	<u>(9,699)</u>	<u>(1)</u>	<u>(6,580)</u>	<u>-</u>
		<u>(9,366)</u>	<u>(1)</u>	<u>(3,423)</u>	<u>-</u>
7900	<b>Profit (loss) before tax</b>	(26,649)	(3)	8,399	1
7950	<b>Less: income tax expenses (benefit) (note 6(n))</b>	<u>(4,988)</u>	<u>-</u>	<u>3,297</u>	<u>-</u>
8200	<b>Net profit (loss)</b>	<u>(21,661)</u>	<u>(3)</u>	<u>5,102</u>	<u>1</u>
8300	<b>Other comprehensive income (notes 6(n)(o)):</b>				
8360	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	27	-	12	-
8399	Less: income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>5</u>	<u>-</u>	<u>2</u>	<u>-</u>
8300	<b>Other comprehensive income, net</b>	<u>22</u>	<u>-</u>	<u>10</u>	<u>-</u>
8500	<b>Total comprehensive income</b>	<u>\$ (21,639)</u>	<u>(3)</u>	<u>5,112</u>	<u>1</u>
	<b>Profit (loss), attributable to:</b>				
8610	Owners of parent	<u>\$ (21,661)</u>	<u>(3)</u>	<u>5,102</u>	<u>1</u>
	<b>Comprehensive income attributable to:</b>				
8710	Owners of parent	<u>\$ (21,639)</u>	<u>(3)</u>	<u>5,112</u>	<u>1</u>
	<b>Earnings per share (note 6(p)) (in New Taiwan dollars)</b>				
9750	<b>Basic earnings per share</b>	<u>\$ (0.18)</u>		<u>0.04</u>	
9850	<b>Diluted earnings per share</b>	<u>\$ (0.18)</u>		<u>0.04</u>	

See accompanying notes to consolidated financial statements.

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**AIR ASIA CO., LTD. AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Equity**  
**For the three months ended March 31, 2020 and 2019**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent						Total equity
	Retained earnings				Other equity		
	Common stock	Capital surplus	Legal reserve	Unappropriated retained earnings (accumulated deficit)	Exchange differences on translation of foreign financial statements	Treasury stock	
<b>Balance at January 1, 2019</b>	\$ 1,222,080	365,749	117,066	12,196	139	(41,173)	1,676,057
Net profit	-	-	-	5,102	-	-	5,102
Other comprehensive income	-	-	-	-	10	-	10
Total comprehensive income	-	-	-	5,102	10	-	5,112
Repurchase of treasury stock	-	-	-	-	-	(9,298)	(9,298)
Retirement of treasury stock	(20,880)	(4,543)	-	(25,048)	-	50,471	-
<b>Balance at March 31, 2019</b>	<b>\$ 1,201,200</b>	<b>361,206</b>	<b>117,066</b>	<b>(7,750)</b>	<b>149</b>	<b>-</b>	<b>1,671,871</b>
<b>Balance at January 1, 2020</b>	\$ 1,201,200	273,054	118,606	10,811	77	-	1,603,748
Net loss	-	-	-	(21,661)	-	-	(21,661)
Other comprehensive income	-	-	-	-	22	-	22
Total comprehensive income	-	-	-	(21,661)	22	-	(21,639)
Appropriation and distribution of retained earnings:							
Cash dividends	-	-	-	(9,610)	-	-	(9,610)
<b>Balance at March 31, 2020</b>	<b>\$ 1,201,200</b>	<b>273,054</b>	<b>118,606</b>	<b>(20,460)</b>	<b>99</b>	<b>-</b>	<b>1,572,499</b>

See accompanying notes to consolidated financial statements.

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AIR ASIA CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31,	
	2020	2019
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit (loss) before tax</b>	\$ (26,649)	8,399
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation expense	20,404	20,334
Amortization expense	716	1,707
Expected credit loss	887	-
Unrealized net loss on change in fair value of financial liabilities through profit or loss	1,010	-
Interest expense	9,699	6,580
Interest income	(271)	(339)
Unrealized foreign exchange gains	(1,299)	-
Total adjustments to reconcile profit	31,146	28,282
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Decrease (increase) in contract assets—current	3,177	(47,860)
Increase in notes and trade receivables, net	(53,514)	(30,900)
Decrease in other receivables	7,116	2,973
Decrease (increase) in inventories	65,495	(187,546)
Decrease (increase) in prepayments	(67,079)	18,243
Decrease (increase) in other current assets	314	(3,826)
Decrease in incremental costs of obtaining contracts—non-current	3,194	3,368
Total changes in operating assets	(41,297)	(245,548)
<b>Changes in operating liabilities:</b>		
Increase in contract liabilities—current	11,386	45,427
Increase (decrease) in trade payables	(131,849)	129,675
Decrease in other payables	(82,266)	(35,075)
Increase (decrease) in provisions—current	(10,118)	2,979
Increase (decrease) in other current liabilities	459	(1,792)
Decrease in net defined benefit liability—non-current	(11,059)	(38,945)
Total changes in operating liabilities	(223,447)	102,269
Net changes in operating assets and liabilities	(264,744)	(143,279)
Total adjustments	(233,598)	(114,997)
Cash used in operations	(260,247)	(106,598)
Interest received	4	60
Interest paid	(7,859)	(6,516)
Income tax paid	-	(1,616)
<b>Net cash used in operating activities</b>	(268,102)	(114,670)
<b>Cash flows from (used in) investing activities:</b>		
Decrease (increase) in refundable deposits	(8,921)	4,522
Acquisition of property, plant and equipment	(15,398)	(12,773)
Acquisition of intangible assets	(1,272)	(6,822)
Decrease (increase) in other non-current assets	13	(3,263)
<b>Net cash used in investing activities</b>	(25,578)	(18,336)
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in short-term loans	160,000	(72,075)
Increase in short-term notes payable	209,936	99,812
Proceeds from long-term loans	220,000	200,000
Repayments of long-term loans	(180,000)	(4,165)
Payment of lease liabilities	(142)	(3,885)
Repurchase of treasury stock	-	(9,298)
<b>Net cash generated from financing activities</b>	409,794	210,389
<b>Effects of exchange rate changes on balance of cash held in foreign currencies</b>	1,539	12
<b>Net increase in cash and cash equivalents</b>	117,653	77,395
<b>Cash and cash equivalents at the beginning of year</b>	145,757	83,444
<b>Cash and cash equivalents at end of year</b>	\$ 263,410	160,839

See accompanying notes to consolidated financial statements.

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Reviewed only, not audited in accordance with generally accepted auditing standards

**AIR ASIA CO., LTD. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**March 31, 2020 and 2019**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(1) Company history**

AIR ASIA CO., LTD. (the “Company”) was incorporated as a company limited by shares under the Company Act of the Republic of China (R.O.C.) on January 19, 1955. The Company’s registered and operating address is No. 1050, Jichang Rd., Rende Dist., Tainan City, Taiwan, R.O.C.

The consolidated financial statements comprise the Company and its subsidiaries (the “Group”).

The Group’s principal activities consist of maintenances, renovation, upgrades and integrated logistic support services for the aircraft and related components.

The Company listed their shares on the Taiwan Stock Exchange on 22 February 2018.

**(2) Approval date and procedures of the consolidated financial statements:**

The consolidated financial statements were authorized for issuance by the Board of the Company on May 6, 2020.

**(3) New standards, amendments and interpretations adopted:**

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

- (b) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB

(Continued)

**AIR ASIA CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

Those which may be relevant to the Group are set out below:

<u>Issuance / Release Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
January 23, 2020	Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

**(4) Summary of significant accounting policies:**

**(a) Statement of compliance**

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2019. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2019.

**(b) Basis of consolidation**

1. List of subsidiaries in the consolidated financial statements:

<u>Name of investor</u>	<u>Name of subsidiary</u>	<u>Principal activity</u>	<u>Shareholding</u>		
			<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
The Company	Air Asia Company Ltd. (USA)	Logistics Services	100 %	100 %	100 %

(Continued)

**AIR ASIA CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2. List of subsidiaries which are not included in the consolidated financial statements: None.

**(c) Employee benefits**

The pension cost in the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year.

**(d) Income taxes**

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period. However, if the effective annual tax rate is estimated, the income tax benefit is expected to be generated in the year, but it is net loss before tax for now, then the net loss before tax is multiplied by the effective tax rate, and the amount is recognized as deferred income tax benefit and deferred income tax assets.

For a change in tax rate that is substantively enacted in an interim period, the effect of the change should immediately be recognized in the interim period in which the change occurs.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:**

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Except for the post-service benefit plan, which has been closed in March, 2020, that the Group does not have significant estimation uncertainty of defined benefit retirement obligation, the preparation of the consolidated financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which is in conformity with the consolidated financial statements for the year ended December 31, 2019. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2019.

**(6) Explanation of significant accounts:**

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2019. Please refer to Note 6 of the 2019 annual consolidated financial statements.

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**AIR ASIA CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(a) **Cash and cash equivalents**

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Cash and cash on hand	\$ 3,212	3,247	3,269
Demand deposits	260,198	142,510	157,570
Cash and cash equivalents in the consolidated statement of cash flows	<b>\$ 263,410</b>	<b>145,757</b>	<b>160,839</b>

Please refer to note 6(t) for the exchange rate risk and sensitivity analysis of the financial assets.

(b) **Notes, trade and overdue receivables**

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Notes receivable	\$ 177	-	48
Trade receivables	1,278,757	1,225,403	833,606
Less: Loss allowance	(16,524)	(15,637)	-
Subtotal	1,262,410	1,209,766	833,654
Overdue receivables (recorded as other non-current assets)	32,013	32,013	32,013
Less: Loss allowance	(32,013)	(32,013)	(32,013)
Subtotal	-	-	-
<b>Total</b>	<b>\$ 1,262,410</b>	<b>1,209,766</b>	<b>833,654</b>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes, trade and overdue receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision was determined as follows:

	<b>March 31, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
<u>Group 1</u>			
Current	\$ 1,253,508	0.00%	-
1 to 90 days past due	7,175	0.00%	-
91 to 180 days past due	2,163	20.17%	436
181 to 270 days past due	-	0.00%	-
271 to 365 days past due	-	40.97%	-
More than 365 days past due	-	100.00%	-
	<b>\$ 1,262,846</b>		<b>436</b>

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**AIR ASIA CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>March 31, 2019</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
<u>Group 2</u>			
Current	\$ -	100.00%	-
1 to 90 days past due	-	100.00%	-
91 to 180 days past due	-	100.00%	-
181 to 270 days past due	-	100.00%	-
271 to 365 days past due	-	100.00%	-
More than 365 days past due	<u>32,013</u>	100.00%	<u>32,013</u>
	<u><b>\$ 32,013</b></u>		<u><b>32,013</b></u>

If the receivables of government in group 1 cannot be collected with the prescribed credit period due to the central government budget, the amount of the receivables will be regarded as not overdue with no impairment risk, if not overdue for more than 365 days.

The movement in the allowance for notes, trade and overdue receivables was as follows:

	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 47,650	32,013
Impairment losses recognized	<u>887</u>	<u>-</u>
Balance at March 31	<u><b>\$ 48,537</b></u>	<u><b>32,013</b></u>

The aforementioned notes, trade and overdue receivables were not pledged as collateral or restricted in any way.

(c) **Other receivables**

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Other receivables—income taxes refund	\$ 11,080	11,080	10,975
Others	2,542	9,889	2,670
Less: Loss allowance	<u>-</u>	<u>-</u>	<u>-</u>
	<u><b>\$ 13,622</b></u>	<u><b>20,969</b></u>	<u><b>13,645</b></u>

For further credit risk information, please refers to note 6(t).

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**AIR ASIA CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(d) **Inventories**

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Repair materials and others	\$ 1,103,475	1,246,920	958,534
Finished goods	345,342	267,392	265,096
	<b><u>\$ 1,448,817</u></b>	<b><u>1,514,312</u></b>	<b><u>1,223,630</u></b>

The details of the cost of sales were as follows:

	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Inventory that has been sold	\$ 778,552	795,679
Write-down of inventories (reversal of write-downs)	(18,777)	2,538
Write-off for inventories scrapped	1,099	-
Revenue from sale of scraps	(4)	(329)
	<b><u>\$ 760,870</u></b>	<b><u>797,888</u></b>

The inventories of the Group were not pledged as collateral or restricted in any way.

(e) **Property, plant and equipment**

The movement in cost, accumulated depreciation, and impairment loss of the property, plant and equipment was as follows:

	<b>Land</b>	<b>Buildings and structures</b>	<b>Machinery and equipment</b>	<b>Office equipment</b>	<b>Transportation equipment</b>	<b>Construction in process and testing equipment</b>	<b>Total</b>
<b>Cost or deemed cost:</b>							
Balance at January 1, 2020	\$ 255,076	658,059	641,650	50,780	76,838	68	1,682,471
Additions	-	487	8,632	547	2,824	5	12,495
Disposals	-	-	(400)	(12)	-	-	(412)
Reclassification	-	-	935	-	13,869	-	14,804 (Note)
Balance at March 31, 2020	<b><u>\$ 255,076</u></b>	<b><u>658,546</u></b>	<b><u>650,817</u></b>	<b><u>51,315</u></b>	<b><u>93,531</u></b>	<b><u>73</u></b>	<b><u>1,709,358</u></b>
Balance at January 1, 2019	\$ 255,076	655,041	604,477	50,051	62,248	-	1,626,893
Additions	-	1,005	11,158	610	-	-	12,773
Disposals	-	-	(1,212)	(153)	-	-	(1,365)
Reclassification	-	-	12,666	208	2,841	-	15,715 (Note)
Balance at March 31, 2019	<b><u>\$ 255,076</u></b>	<b><u>656,046</u></b>	<b><u>627,089</u></b>	<b><u>50,716</u></b>	<b><u>65,089</u></b>	<b><u>-</u></b>	<b><u>1,654,016</u></b>

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**AIR ASIA CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	Land	Buildings and structures	Machinery and equipment	Office equipment	Transportation equipment	Construction in process and testing equipment	Total
<b>Accumulated depreciation and impairment loss:</b>							
Balance at January 1, 2020	\$ -	384,453	504,096	41,396	48,807	-	978,752
Depreciation	-	5,216	8,617	885	1,349	-	16,067
Disposals	-	-	(400)	(12)	-	-	(412)
Balance at March 31, 2020	<u>\$ -</u>	<u>389,669</u>	<u>512,313</u>	<u>42,269</u>	<u>50,156</u>	<u>-</u>	<u>994,407</u>
Balance at January 1, 2019	\$ -	363,153	472,217	37,324	45,120	-	917,814
Depreciation	-	5,452	8,763	1,218	719	-	16,152
Disposals	-	-	(1,212)	(153)	-	-	(1,365)
Balance at March 31, 2019	<u>\$ -</u>	<u>368,605</u>	<u>479,768</u>	<u>38,389</u>	<u>45,839</u>	<u>-</u>	<u>932,601</u>
<b>Carrying value:</b>							
Balance at January 1, 2020	<u>\$ 255,076</u>	<u>273,606</u>	<u>137,554</u>	<u>9,384</u>	<u>28,031</u>	<u>68</u>	<u>703,719</u>
Balance at March 31, 2020	<u>\$ 255,076</u>	<u>268,877</u>	<u>138,504</u>	<u>9,046</u>	<u>43,375</u>	<u>73</u>	<u>714,951</u>
Balance at January 1, 2019	<u>\$ 255,076</u>	<u>291,888</u>	<u>132,260</u>	<u>12,727</u>	<u>17,128</u>	<u>-</u>	<u>709,079</u>
Balance at March 31, 2019	<u>\$ 255,076</u>	<u>287,441</u>	<u>147,321</u>	<u>12,327</u>	<u>19,250</u>	<u>-</u>	<u>721,415</u>

Note : The transfer from other non-current assets – prepayment for equipment.

Property, plant and equipment of the Group had been pledged as collateral or restricted, please refer to note 8.

**(f) Right-of-use assets**

The Group leases land, buildings and structures, machinery and transportation equipment. Information about leases for which the Group as a lessee is presented below:

	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Total
<b>Cost:</b>					
Balance at January 1, 2020	\$ 281,495	-	603	4,373	286,471
Additions	-	1,018	-	2,684	3,702
Disposals	-	-	-	(517)	(517)
Balance at March 31, 2020	<u>\$ 281,495</u>	<u>1,018</u>	<u>603</u>	<u>6,540</u>	<u>289,656</u>
Balance at January 1, 2019	\$ -	-	-	-	-
Effects of adopting IFRS 16	281,495	-	-	3,479	284,974
Additions	-	-	603	-	603
Balance at March 31, 2019	<u>\$ 281,495</u>	<u>-</u>	<u>603</u>	<u>3,479</u>	<u>285,577</u>
<b>Accumulated depreciation and impairment loss:</b>					
Balance at January 1, 2020	\$ 14,815	-	168	2,032	17,015
Depreciation	3,704	81	50	502	4,337
Disposals	-	-	-	(517)	(517)
Balance at March 31, 2020	<u>\$ 18,519</u>	<u>81</u>	<u>218</u>	<u>2,017</u>	<u>20,835</u>

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**AIR ASIA CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Total</u>
Balance at January 1, 2019	\$ -	-	-	-	-
Depreciation	3,704	-	17	461	4,182
Balance at March 31, 2019	<u>\$ 3,704</u>	<u>-</u>	<u>17</u>	<u>461</u>	<u>4,182</u>
<b>Carrying value:</b>					
Balance at January 1, 2020	<u>\$ 266,680</u>	<u>-</u>	<u>435</u>	<u>2,341</u>	<u>269,456</u>
Balance at March 31, 2020	<u>\$ 262,976</u>	<u>937</u>	<u>385</u>	<u>4,523</u>	<u>268,821</u>
Balance at January 1, 2019	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at March 31, 2019	<u>\$ 277,791</u>	<u>-</u>	<u>586</u>	<u>3,018</u>	<u>281,395</u>

(g) **Intangible assets**

The details of intangible assets were as follows:

	<u>Acquired special technology</u>	<u>Software</u>	<u>Total</u>
<b>Carrying value:</b>			
Balance at January 1, 2020	<u>\$ 5,174</u>	<u>1,177</u>	<u>6,351</u>
Balance at March 31, 2020	<u>\$ 5,768</u>	<u>1,139</u>	<u>6,907</u>
Balance at January 1, 2019	<u>\$ 841</u>	<u>2,029</u>	<u>2,870</u>
Balance at March 31, 2019	<u>\$ 6,217</u>	<u>1,768</u>	<u>7,985</u>

There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the three months ended March 31, 2020 and 2019. Information on amortization for the period is discussed in Note 12. For other relevant information, please refer to note 6 · 5. of the consolidated financial statements for the year ended December 31, 2019.

(h) **Other non-current assets**

The details of other non-current assets were as follows:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Prepayment for equipment	\$ 7,870	23,146	12,993
Refundable deposits — non-current	54,478	63,444	58,870
Other non-current assets — other	10,307	9,848	2,575
Overdue receivables	-	-	-
	<u>\$ 72,655</u>	<u>96,438</u>	<u>74,438</u>

Refundable deposits — non-current of the Group had been pledged as collateral or restricted, please refer to note 8.

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**AIR ASIA CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) **Short-term and long-term loans**

The details of short-term and long-term loans were as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Short-term notes payable	\$ 659,776	449,840	329,737
Unsecured bank loans	760,000	600,000	650,000
Long-term unsecured bank loans	520,000	480,000	200,000
Long-term secured bank loans	-	-	195,834
Total	<u>\$ 1,939,776</u>	<u>1,529,840</u>	<u>1,375,571</u>
Current	\$ 1,494,776	1,087,340	1,005,779
Non-current	445,000	442,500	369,792
Total	<u>\$ 1,939,776</u>	<u>1,529,840</u>	<u>1,375,571</u>
Unused short-term notes payable credit lines	<u>\$ 20,000</u>	<u>180,000</u>	<u>100,000</u>
Unused short-term loans credit lines	<u>\$ 440,000</u>	<u>680,000</u>	<u>485,165</u>
Unused long-term loans credit lines	<u>\$ 130,000</u>	<u>170,000</u>	<u>100,000</u>
Range of short-term notes payable interest rates	<u>1%</u>	<u>1%</u>	<u>1%~1.04%</u>
Range of short-term loans interest rates	<u>0.7%~1.23%</u>	<u>0.7%~1.23%</u>	<u>0.71%~1.23%</u>
Range of long-term loans interest rates	<u>1.34%~1.36%</u>	<u>1.34%~1.36%</u>	<u>1.36%</u>
Long-term loans due year	<u>2021~2024</u>	<u>2021~2024</u>	<u>2021~2024</u>

For the three months ended March 31, 2020 and 2019, The Group proceed from long-term loans amounting to \$220,000 and \$200,000, respectively, with an interest rate of 1.34%~1.36% and 1.36%, respectively. The long-term loans are due in July, 2021 to March, 2024 and March, 2024, respectively.

For the three months ended March 31, 2020 and 2019, the repayment amounted to \$180,000 and \$4,165, respectively.

Assets pledged are disclosed in note 8.

(j) **Bonds payable**

	March 31, 2020	December 31, 2019
Total convertible corporate bonds issued	\$ 500,000	500,000
Unamortized discounted corporate bonds payable	(23,323)	(25,028)
Corporate bonds issued balance at year-end	<u>\$ 476,677</u>	<u>474,972</u>

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**AIR ASIA CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>March 31, 2020</b>	<b>December 31, 2019</b>
	<u>                    </u>	<u>                    </u>
Embedded derivative – put and redeem options, included in financial liabilities at fair value through profit or loss	\$ <u>2,480</u>	<u>1,470</u>
Equity component – conversion options, included in capital surplus– conversion of convertible bonds	\$ <u>22,358</u>	<u>22,358</u>
	<b><u>For the three months ended March 31,</u></b>	
	<u>2020</u>	<u>2019</u>
	<u>                    </u>	<u>                    </u>
Embedded derivative – put and redeem options, included in losses on financial liabilities at fair value through profit or loss	\$ <u>1,010</u>	<u>-</u>
Interest expense (effective interest rate of 1.28%~1.69%)	\$ <u>1,705</u>	<u>-</u>

There were no significant issues, repurchases and repayments of bonds payable for the three months ended March 31, 2020 and 2019. Please refer to Note 6 · 10. of the 2019 annual consolidated financial statements for other related information

(k) **Provisions**

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Warranties	\$ <u>21,374</u>	<u>31,492</u>	<u>22,091</u>

There were no significant changes in provisions for the three months ended March 31, 2020 and 2019. Please refer to Note 6 · 13. of the 2019 annual consolidated financial statements for other related information.

(l) **Lease liabilities**

The carrying value of lease liabilities was as follows:

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Current	\$ 20,238	15,399	16,075
Non-current	<u>254,048</u>	<u>255,327</u>	<u>265,617</u>
	\$ <u>274,286</u>	<u>270,726</u>	<u>281,692</u>

For the maturity analysis, please refer to note 6(t).

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**AIR ASIA CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The amounts recognized in profit or loss were as follows:

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Interest on lease liabilities	\$ <u>679</u>	<u>712</u>
Expenses relating to short-term leases	\$ <u>829</u>	<u>1,395</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>40</u>	<u>60</u>

The amounts recognized in the statement of cash flows for the Group were as follows:

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Total cash outflow for leases	\$ <u>1,690</u>	<u>6,052</u>

1. Real estate leases

The Group leases land and buildings for its maintenance factory and office space, which lease terms of two to ten years.

2. Other leases

The Group leases machinery and transportation equipment, with lease terms of three years.

The Group also leases land, business premises, staff dormitory and transportation equipment with contract terms of one to three years. These leases are short-term or leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

**(m) Employee benefits**

1. Defined benefit plans

Because the Group has reached an agreement with the employees to close the post-service benefit plan, therefore, the Group does not have any obligation of the defined benefit retirement.

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one-time events since prior fiscal year. As a result, the pension cost for the three months ended March 31, 2019 was measured and disclosed according to the actuarial report as of December 31, 2018.

The expenses recognized in profit or loss for the Group were as follows:

	<u>For the three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Operating cost	\$ 36	777
Administration expenses	<u>13</u>	<u>366</u>
	\$ <u>49</u>	<u>1,143</u>

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**AIR ASIA CO., LTD. AND SUBSIDIARIES**  
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2. Defined contribution plans

The Group's expenses under the pension plan cost to the Bureau of Labor Insurance for the three months ended March 31, 2020 and 2019 were as follows:

	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Operating cost	\$ 7,293	6,520
Selling expenses	525	514
Administration expenses	1,121	993
Research and development expenses	-	218
	<b>\$ 8,939</b>	<b>8,245</b>

(n) **Income taxes**

1. The components of income tax expense (benefit) were as follows:

	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Current tax expense		
Adjustment for prior periods	\$ -	1,616
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	(4,988)	1,681
Income tax expense (benefit)	<b>\$ (4,988)</b>	<b>3,297</b>

The amount of income tax expense recognized in other comprehensive income was as follows:

	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation	<b>\$ 5</b>	<b>2</b>

2. The Company's income tax return for the year 2017 had been examined by the tax authorities.

(o) **Capital and other equity**

As of March 31, 2020, December 31 and March 31, 2019, the authorized common stock of the Company was \$1,300,000, comprising 130,000 thousand shares, with a par value of \$10 per share. The issued shares were 120,120 thousand shares. All the capitals were fully received.

Except for the following disclosure, there was no significant change for capital and other equity for

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**AIR ASIA CO., LTD. AND SUBSIDIARIES**  
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the periods from January 1 to March 31, 2020 and 2019. For the related information, please refer to note 6、14. of the consolidated financial statements for the year ended December 31, 2019.

1. Capital surplus

The balance of capital surplus at the reporting date was as follows:

	<b>March 31,</b>	<b>December 31,</b>	<b>March 31,</b>
	<b>2020</b>	<b>2019</b>	<b>2019</b>
Additional paid-in capital	\$ 150,633	150,633	261,143
Gain on disposal of assets	100,063	100,063	100,063
Conversion of convertible bonds	22,358	22,358	-
	<b>\$ 273,054</b>	<b>273,054</b>	<b>361,206</b>

The board of directors resolved on March 26, 2020 to issue new shares by its capital surplus in the amount of \$110,510 (NT\$ 0.92 per share).

The shareholders' meeting resolved on June 17, 2019 to distribute cash dividends by its capital surplus in the amount of \$110,510 (NT\$ 0.92 per share).

2. Retained earnings

The Company's Articles of Incorporation provide that the current net income, after deducting the previous years' losses, shall set aside 10% as legal reserve and special reserve according to the relevant laws and other regulations of R.O.C. Then the balance is added up with the accumulated retained earnings in the previous year. The distribution of the remaining portion, if any, will be proposed by the board of directors for approval in the board of directors meeting.

If dividend is distributed in issued new shares, shall be made in accordance with the provisions of Article 214 of the Company Law. If dividend is distributed in cash, the board of directors shall be attended by two-thirds of the total directors, and resolved by a majority votes at the board of directors, to distribute dividends and bonuses in whole or in part to be paid in cash, and report to the shareholders' meeting.

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The board of directors shall make the distribution proposal annually and present it at the shareholders' meeting.

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**AIR ASIA CO., LTD. AND SUBSIDIARIES**  
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The amount of cash dividends (recorded as other payables) of appropriations of earnings for 2019 had been approved in the meeting of the board of directors on March 26, 2020. The appropriations of earnings for 2018 had been approved in the shareholders' meeting on June 17, 2019. These earnings were appropriated as follows:

	Unit per share: dollar			
	2019		2018	
	<u>TWD/per share</u>	<u>Amount</u>	<u>TWD/per share</u>	<u>Amount</u>
Dividends distributed to ordinary shareholders				
Cash	\$ 0.08	<u>9,610</u>	0.08	<u>9,610</u>

3. Treasury stock

For the three months ended March 31, 2019, in accordance with the requirements under section 28(2) of the Securities and Exchange Act, the Company repurchased 371 thousand shares as treasury shares, cumulative repurchased 2,088 thousand shares as treasury shares amounting to \$50,471, in order to protect the Company's integrity and shareholders' equity. As of March 31, 2019, the abovementioned treasury shares have been retired.

In accordance with Securities and Exchange Act requirements as stated above, the number of shares repurchased should not exceed 10 percent of all shares outstanding. Also, the value of the repurchased shares should not exceed the sum of the Company's retained earnings, share premium, and realized capital reserves. The shares and total amount purchased had met the requirement of the Securities and Exchange Act.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

4. Other equity (net of tax)

	<b>Exchange differences on translation of foreign financial statements</b>
Balance at January 1, 2020	\$ 77
Exchange differences on foreign operations	<u>22</u>
Balance at March 31, 2020	<u>\$ 99</u>
Balance at January 1, 2019	\$ 139
Exchange differences on foreign operations	<u>10</u>
Balance at March 31, 2019	<u>\$ 149</u>

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**AIR ASIA CO., LTD. AND SUBSIDIARIES**  
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(p) **Earnings per share**

For the three months ended March 31, 2020 and 2019, the Company's earnings per share were calculated as follows:

	Unit of share: thousand	
	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Basic earnings per share</b>		
Profit (loss) attributable to common shareholders of the Company	\$ <u>(21,661)</u>	<u>5,102</u>
Weighted-average number of shares	<u>120,120</u>	<u>120,244</u>
	<u>\$ (0.18)</u>	<u>0.04</u>
<b>Diluted earnings per share</b>		
Profit (loss) attributable to common shareholders of the Company (diluted)	\$ <u>(21,661)</u>	<u>5,102</u>
Weighted-average number of shares	120,120	120,244
Effect of dilutive ordinary shares:		
Remuneration to employees	<u>-</u>	<u>12</u>
Weighted-average number of shares (diluted)	<u>120,120</u>	<u>120,256</u>
	<u>\$ (0.18)</u>	<u>0.04</u>

For the three months ended March 31, 2020, there is an anti-diluted effect on convertible bonds and remuneration to employees.

(q) **Revenue from contracts with customers**

1. Disaggregation of revenue

	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
<u>Primary geographical markets</u>		
Taiwan	\$ 741,988	739,931
Russian	10,548	52,851
Other	<u>58,600</u>	<u>92,722</u>
	<u>\$ 811,136</u>	<u>885,504</u>
<u>Major services and timing of revenue recognition</u>		
At a point in time		
Aircraft maintenance	\$ 80,307	169,266
Fleet maintenance and repair supply pricing	95,226	94,697
Outsourced repair and air material transaction	176,206	198,860
Components maintenance	<u>342,315</u>	<u>289,677</u>
Subtotal	<u>694,054</u>	<u>752,500</u>

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**AIR ASIA CO., LTD. AND SUBSIDIARIES**  
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	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Over time		
Aircraft maintenance	\$ 116,752	122,971
Components maintenance	330	10,033
Subtotal	117,082	133,004
Total	<b>\$ 811,136</b>	<b>885,504</b>

2. Contract balances

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Notes, trade and overdue receivables	\$ 1,310,947	1,257,416	865,667
Less: Loss allowance	(48,537)	(47,650)	(32,013)
Total	<b>\$ 1,262,410</b>	<b>1,209,766</b>	<b>833,654</b>
Contract assets – Maintenance service	<b>\$ 318,402</b>	<b>321,579</b>	<b>381,040</b>
Contract liabilities – Maintenance service	<b>\$ 16,342</b>	<b>4,956</b>	<b>46,541</b>

For details on notes, trade and overdue receivables and allowance for impairment, please refer to note 6(b).

The amount of revenue recognized for the three months ended March 31, 2020 and 2019 that were included in the contract liability balance at the beginning of the period were \$2,882 and \$1,114, respectively.

The major change in the balance of contract assets and contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

3. Assets recognized from costs to obtain a contract

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Incremental costs of obtaining contracts – non-current	\$ 63,425	63,425	60,737
Less: accumulated amortization	(33,950)	(30,756)	(18,471)
Total	<b>\$ 29,475</b>	<b>32,669</b>	<b>42,266</b>

The related expenses of premium and stamp tax paid by the Group for the acquisition of the aircraft maintenance business are expected to be recoverable and therefore were recognized as assets and amortized over the contract period of the aircraft maintenance business. Amortization expenses of \$3,194 and \$3,368 were recognized for the three months ended March 31, 2020 and 2019.

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**AIR ASIA CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(r) **Employees compensation**

According to the Articles of Association, once the Company has annual profit, it should appropriate 1%~3% of the profit to its employees. When the Company still has an accumulated loss, the Company shall keep the profit for making up an accumulated loss.

Remuneration to employees was not accrued because of the Company's net loss before tax for the three-months period ended March 31, 2020. The remunerations to employees amounted to \$189 for the three-months period ended March 31, 2019. These amounts were calculated using the Company's net income before tax without the remunerations to employees for each period, multiplied by the proposed percentage which is stated under the Company's proposed Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholder' meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year.

For the year ended December 31, 2019 and 2018, the remunerations to employees amounted to \$1,212 and \$160, respectively. The remuneration of employees has no differences between the estimated amounts and the amounts approved by the board of directors. The related information can be accessed through the Market Observation Post System.

(s) **Non-operating income and expenses**

1. Other income

	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Rent income	\$ 347	602
Interest income	271	339
Other income — others	295	1,180
	<b>\$ 913</b>	<b>2,121</b>

2. Other gains and losses

	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Foreign exchange gains, net	\$ 615	1,150
Losses on valuation of financial liabilities by fair value	(1,010)	-
Others	(185)	(114)
	<b>\$ (580)</b>	<b>1,036</b>

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**AIR ASIA CO., LTD. AND SUBSIDIARIES**  
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3. Finance costs

	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Interest expense	\$ 7,139	4,156
Finance costs	2,560	2,424
	<b>\$ 9,699</b>	<b>6,580</b>

(t) **Financial instruments**

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to note 12 of the consolidated financial statements for the year ended December 31, 2019.

1. Credit risk

(i) Credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

(ii) Concentration of credit risk

As of March 31, 2020, December 31 and March 31, 2019, a few customers of the Group accounted for 85%, 96% and 95%, respectively, of accounts receivable. As of the end of the reporting period, the Group did not suffer any significant credit risk losses due to these customers. The Group periodically evaluates customers' financial position and the possibility of recovery of receivables in order to reduce credit risk.

(iii) Credit risk exposure of receivables and other financial assets at amortized cost

For credit risk exposure on notes, trade and overdue receivables, and the details on loss allowance provision, please refer to note 6(b).

Other financial assets at amortized cost include other receivables and refundable deposit. There was no loss allowance recognized or reversed for the three months ended March 31, 2020 and 2019.

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected credit losses.

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**AIR ASIA CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2. Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
<b>March 31, 2020</b>						
Non-derivative financial liabilities						
With floating interest rates	\$ 1,280,000	1,296,466	843,648	149,848	302,970	-
With fixed interest rates	1,136,453	1,164,765	660,000	504,765	-	-
Non-interest-bearing liabilities						
	403,194	403,194	403,194	-	-	-
Lease liabilities	274,286	298,629	22,880	18,155	50,104	207,490
Derivative financial liabilities						
Embedded derivative	2,480	2,480	2,480	-	-	-
	<u>\$ 3,096,413</u>	<u>3,165,534</u>	<u>1,932,202</u>	<u>672,768</u>	<u>353,074</u>	<u>207,490</u>
<b>December 31, 2019</b>						
Non-derivative financial liabilities						
With floating interest rates	\$ 1,080,000	1,090,656	924,671	51,955	114,030	-
With fixed interest rates	924,812	954,765	450,000	201,001	303,764	-
Non-interest-bearing liabilities						
	610,735	610,735	610,735	-	-	-
Lease liabilities	270,726	295,407	18,048	16,979	48,822	211,558
Derivative financial liabilities						
Embedded derivative	1,470	1,470	1,470	-	-	-
	<u>\$ 2,887,743</u>	<u>2,953,033</u>	<u>2,004,924</u>	<u>269,935</u>	<u>466,616</u>	<u>211,558</u>
<b>March 31, 2019</b>						
Non-derivative financial liabilities						
With floating interest rates	\$ 1,045,834	1,057,812	678,019	108,665	271,128	-
With fixed interest rates	329,737	330,000	330,000	-	-	-
Non-interest-bearing liabilities						
	511,421	511,421	511,421	-	-	-
Lease liabilities	281,692	313,325	19,302	17,387	49,099	227,537
	<u>\$ 2,168,684</u>	<u>2,212,558</u>	<u>1,538,742</u>	<u>126,052</u>	<u>320,227</u>	<u>227,537</u>

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

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**AIR ASIA CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

3. Market risk

(i) Currency risk

The Group's significant exposure to foreign currency risk was as follows:

	<u>March 31, 2020</u>			<u>December 31, 2019</u>			<u>March 31, 2019</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 2,084	30.225	62,998	795	29.98	23,834	3,976	30.77	122,342
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	5,312	30.225	160,544	6,115	29.98	183,327	8,010	30.87	247,269

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, and trade and other payables that are denominated in foreign currency.

When the exchange rate of the NTD versus the USD increases or decreases by 1%, given no changes in other factors, profit (loss) after tax will increase or decrease by \$780 and \$1,250, respectively. This analysis was performed on a consistent basis for both periods.

Exchange gains or losses (including realized and unrealized) that resulted from monetary items translated to the functional currency were as follows:

	<u>January to March, 2020</u>		<u>January to March, 2019</u>	
	<u>Exchange gain (loss)</u>	<u>Average rate</u>	<u>Exchange gain (loss)</u>	<u>Average rate</u>
NTD	\$ <u>615</u>	-	<u>1,150</u>	-

(ii) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

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**AIR ASIA CO., LTD. AND SUBSIDIARIES**  
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If the interest rate had increased or decreased by 1%, the Group's net profit (loss) would have decreased or increased by \$2,560 and \$2,092 for the three months ended March 31, 2020 and 2019 with all other variable factors remaining constant. This is mainly due to the Group's borrowing at floating rates.

4. Fair value of financial instruments

(i) Fair value hierarchy

The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

	Carrying amount	March 31, 2020			Total
		Level 1	Level 2	Level 3	
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 263,410	-	-	-	-
Notes and trade receivables	1,262,410	-	-	-	-
Other receivables	13,622	-	-	-	-
Refundable deposits – current	146,711	-	-	-	-
Refundable deposits – non-current (recorded as other non-current assets)	54,478	-	-	-	-
	<u>\$1,740,631</u>				
<b>Financial liabilities at fair value through profit or loss</b>					
Financial liabilities designated at fair value through profit or loss	\$ <u>2,480</u>	-	2,480	-	2,480
<b>Financial liabilities measured at amortized cost</b>					
Short-term loans	\$ 760,000	-	-	-	-
Short-term notes payable	659,776	-	-	-	-
Payables	403,194	-	-	-	-
Bonds payable	476,677	-	487,230	-	487,230
Long-term loans (included in current portion)	520,000	-	-	-	-
Lease liabilities	274,286	-	-	-	-
	<u>\$3,093,933</u>				

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**AIR ASIA CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

		December 31, 2019				
		Carrying	Fair Value			
		amount	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at amortized cost</b>						
Cash and cash equivalents	\$ 145,757	-	-	-	-	-
Notes and trade receivables	1,209,766	-	-	-	-	-
Other receivables	20,969	-	-	-	-	-
Refundable deposits – current	128,824	-	-	-	-	-
Refundable deposits – non-current (recorded as other non-current assets)	63,444	-	-	-	-	-
	<u>\$1,568,760</u>					
<b>Financial liabilities at fair value through profit or loss</b>						
Financial liabilities designated at fair value through profit or loss	\$ <u>1,470</u>	-	1,470	-	-	1,470
<b>Financial liabilities measured at amortized cost</b>						
Short-term loans	\$ 600,000	-	-	-	-	-
Short-term notes payable	449,840	-	-	-	-	-
Payables	610,735	-	-	-	-	-
Bonds payable	474,972	-	481,790	-	-	481,790
Long-term loans (included in current portion)	480,000	-	-	-	-	-
Lease liabilities	270,726	-	-	-	-	-
	<u>\$2,886,273</u>					
		March 31, 2019				
		Carrying	Fair Value			
		amount	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at amortized cost</b>						
Cash and cash equivalents	\$ 160,839	-	-	-	-	-
Notes and trade receivables	833,654	-	-	-	-	-
Other receivables	13,645	-	-	-	-	-
Refundable deposits – current	158,935	-	-	-	-	-
Refundable deposits – non-current (recorded as other non-current assets)	58,870	-	-	-	-	-
	<u>\$1,225,943</u>					
<b>Financial liabilities measured at amortized cost</b>						
Short-term loans	\$ 650,000	-	-	-	-	-
Short-term notes payable	329,737	-	-	-	-	-
Payables	511,421	-	-	-	-	-
Long-term loans (included in current portion)	395,834	-	-	-	-	-
Lease liabilities	281,692	-	-	-	-	-
	<u>\$2,168,684</u>					

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**AIR ASIA CO., LTD. AND SUBSIDIARIES**  
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The table above analyzes financial instruments carried at fair value by the levels in the fair value hierarchy. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- Level 2: 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).
- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

There was no reclassification of levels during the three months ended March 31, 2020 and 2019.

(ii) Valuation techniques for financial instruments not measured at fair value

Financial liabilities measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

The valuations of the liability part of the convertible bonds issued by the Group are valued by discounted cash flows.

(iii) Valuation techniques for financial instruments measured at fair value

Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Put options and redeem options of the convertible bonds are valued by Binary Tree.

(u) **Financial risk management**

There were no significant changes in the Group's financial risk management and policies as disclosed in Note 12 ∙ 2. of the consolidated financial statements for the year ended December 31, 2019.

(v) **Capital management**

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2019. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2019. Please refer to Note 12 ∙ 11. of the consolidated financial statements for the year ended December 31, 2019 for further details.

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**AIR ASIA CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(w) **Investing and financing activities not affecting current cash flow**

The Group acquired right-of-use assets by leases in the three months ended March 31, 2020 and 2019, please refer to note 6(f).

Reconciliation of liabilities arising from financing activities was as follows:

	<u>January 1, 2020</u>	<u>Cash flows</u>	<u>Non-cash changes</u>	<u>March 31, 2020</u>
Short-term loans	\$ 600,000	160,000	-	760,000
Short-term notes payable	449,840	209,936	-	659,776
Long-term loans (included in current portion)	480,000	40,000	-	520,000
Bonds payable	474,972	-	1,705	476,677
Lease liabilities	<u>270,726</u>	<u>(142)</u>	<u>3,702</u>	<u>274,286</u>
Total liabilities from financing activities	<u>\$ 2,275,538</u>	<u>409,794</u>	<u>5,407</u>	<u>2,690,739</u>
	<u>January 1, 2019</u>	<u>Cash flows</u>	<u>Non-cash changes</u>	<u>March 31, 2019</u>
Short-term loans	\$ 722,075	(72,075)	-	650,000
Short-term notes payable	229,925	99,812	-	329,737
Long-term loans (included in current portion)	199,999	195,835	-	395,834
Lease liabilities	<u>-</u>	<u>(3,885)</u>	<u>285,577</u>	<u>281,692</u>
Total liabilities from financing activities	<u>\$ 1,151,999</u>	<u>219,687</u>	<u>285,577</u>	<u>1,657,263</u>

(7) **Related-parties transactions:**

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Apex Flight Academy	Substantive related party

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**AIR ASIA CO., LTD. AND SUBSIDIARIES**  
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(b) Significant transactions with related parties

The amounts of significant sales by the Group to related parties were as follows:

	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Other related parties	\$ <u>120</u>	<u>-</u>

The sales price to the above related parties was determined through mutual agreement based on the market rates. The credit terms ranged from 15 to 60 days, the collection terms for related parties approximated the market terms. As of March 31, 2020 and 2019, the receivables from related parties were fully collected.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Short-term employee benefits	\$ 3,723	3,655
Post-employment benefits	<u>2,987</u>	<u>141</u>
	<b>\$ <u>6,710</u></b>	<b><u>3,796</u></b>

**(8) Pledged assets**

The carrying amounts of pledged assets were as follows:

<b>Pledged assets</b>	<b>Object</b>	<b>March 31,</b>	<b>December</b>	<b>March 31,</b>
		<b>2020</b>	<b>31, 2019</b>	<b>2019</b>
Refundable deposits – current	Guarantee deposits and customs bond	\$ 146,711	128,824	158,935
Refundable deposits – non-current (Note)	Guarantee deposits	54,478	63,444	58,870
Land	Short-term and long-term loans	255,076	255,076	255,076
Buildings and structures	Short-term and long-term loans	<u>232,786</u>	<u>233,934</u>	<u>243,372</u>
		<b>\$ <u>689,051</u></b>	<b><u>681,278</u></b>	<b><u>716,253</u></b>

Note: recorded as other non-current assets.

**(9) Significant Commitments and Contingencies**

(a) Unrecognized contractual commitments

- As of March 31, 2020, December 31 and March 31, 2019, the maintenance bond and customs bond offered by banks amounted to \$1,683,277, \$1,689,994 and \$1,644,753, respectively.

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**AIR ASIA CO., LTD. AND SUBSIDIARIES**  
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2. As of March 31, 2020, December 31 and March 31, 2019, the guarantee deposits were provided to Aerospace Industrial Development Corporation amounted to \$0, \$0 and \$270,930, respectively.

(b) Contingencies

1. National Fire Agency, Ministry of the Interior requires the Group to return the case of unjust enrichment with local court, and requested the Group to pay \$7,500 and interest payment (calculated at 5% annual interest) since the day after the command to pay to the settlement day. The litigation was on November 28, 2019. The Taipei District Court dismissed the plaintiff's claim, but the plaintiff appealed. As of the date of the financial report because the appeals procedure of second instance still in litigation, the Group is unable to evaluate the effect.
2. The Group has discharged several employees in accordance with the Labor Standards Act, and some employees filed claims against the Group to restore the relationship of employment with compensation at about \$24,543 (calculated at 10 times the annual salary) with the court. As of the date of the financial report, the aforesaid cases are still under trial in the courts. The Group has estimated that among the \$24,543,\$9,097 is highly possible to be excluded, because of the high probability of winning the cases, and the residual cases still cannot be evaluated the potential effect.

**(10) Losses Due to Major Disasters:None.**

**(11) Subsequent Events:None.**

**(12) Others**

- (a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By item	By function	For the three months ended March 31					
		2020			2019		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		132,502	38,938	171,440	135,619	36,095	171,714
Labor and health insurance		12,832	2,931	15,763	11,830	3,716	15,546
Pension		7,329	1,659	8,988	7,297	2,091	9,388
Others		9,993	1,530	11,523	9,776	1,689	11,465
Depreciation		18,495	1,909	20,404	17,998	2,336	20,334
Amortization		684	32	716	1,448	259	1,707

- (b) Seasonality of operations

The Group's operations were not affected by seasonality or cyclicity factors.

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**AIR ASIA CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(13) Other disclosure items**

(a) Information on significant transactions:

The followings were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the three months ended March 31, 2020:

- (i) Lending to other parties:None.
- (ii) Guarantees and endorsements for other parties:None.
- (iii) Information regarding securities held at the reporting date (subsidiaries, associates and joint ventures not included):None.
- (iv) Information regarding purchase or sale of securities for the period exceeding 300 million or 20% of the Company’s paid-in capital:None.
- (v) Information on acquisition of real estate with purchase amount exceeding 300 million or 20% of the Company’s paid-in capital:None.
- (vi) Information regarding receivables from disposal of real estate exceeding 300 million or 20% of the Company’s paid-in capital:None.
- (vii) Information regarding related-parties purchases and/or sales exceeding 100 million or 20% of the Company’s paid-in capital:None.
- (viii) Information regarding receivables from related-parties exceeding 100 million or 20% of the Company’s paid-in capital:None.
- (ix) Information regarding trading in derivative financial instruments:Please refer to notes 6(j).
- (x) Significant transactions and business relationship between the parent company and its subsidiaries for the three months ended March 31, 2020:None.

(b) Information on investments:

The followings are the information on investees for the three months ended March 31, 2020 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Main businesses and products	Original investment amount		Balance as of March 31, 2020			Net income (loss) of investee	Investment income (loss) recognized	Remark
			March 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Air Asia Company Ltd. (USA)	Logistic service	6,699	6,699	10	100 %	3,466	-	-	(Note)

Note: the transaction was eliminated in the preparation of consolidated financial statements.

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**AIR ASIA CO., LTD. AND SUBSIDIARIES**  
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- (c) Information on investment in Mainland China:None.
- (d) Major shareholders:

Unit of share: thousand

Shareholder's Name	Shareholding	Shares	Percentage
Taiwan Aerospace Corporation		83,484	69.50 %
Taiwan Sugar Corporation		16,301	13.57 %

Note1 : The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of total non-physical common stocks and preferred stocks (including treasury stocks ) on the last business date of each quarter. The registered non-physical stocks may be different from the capital stocks disclosed in the financial statement due to different calculation basis.

Note2 : If shares are entrusted, the above information regarding such shares will be revealed by each trustors of individual trust account. The shareholders holding more than 10% of the total shares of the company should declare insider' s equity according to Securities and Exchange Act. The numbers of the shares declared by the insider include the shares of the trust assets which the insider has discretion over use. For details of the insider's equity announcement please refer to the TWSE website.

**(14) Segment information:**

The Group is principally engaged in the maintenance of aircrafts and spare parts. The Group's decision makers assess the performance and allocate resources based on the overall financial statements. It is recognized that the Group is a single operating department. Financial segment information is consistent with the above financial information for the Group as a whole. The accounting policies of the operating segment are the same as those described in note 4.

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