

(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 Six Months Ended June 30, 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 June 30, 2020, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2020, and the statements of changes in equity and cash flows for the six months ended June 30, 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 June 30, 2020, and of its consolidated financial performance for the three months and six months ended June 30, 2020, and its consolidated cash flows for the six months ended June 30, 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 six months ended June 30, 2019, were reviewed by another auditor, who expressed an unmodified conclusion on these statements on August 7, 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)
August 5, 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 generally accepted auditing standards

AIR ASIA CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months and six months ended June 30, 2020 and 2019

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

	For the three months ended June 30,				For the six months ended June 30,				
	2020		2019		2020		2019		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue (notes 6(q) and 7)	\$ 1,128,896	100	940,201	100	1,940,032	100	1,825,705	100
5000	Operating costs (notes 6(d)(l)(m)(q)(r), 7 and 12)	1,056,356	94	839,991	89	1,817,226	94	1,637,879	90
5900	Gross profit	72,540	6	100,210	11	122,806	6	187,826	10
6000	Operating expenses (notes 6(b)(l)(m)(r), 7 and 12):								
6100	Selling expenses	12,822	1	16,598	2	26,154	1	33,823	2
6200	Administrative expenses (including covid-19-related rent concessions of \$1,627)	50,713	4	50,489	5	104,043	5	102,815	6
6300	Research and development expenses	-	-	7,769	1	-	-	14,012	1
6450	Expected credit loss (gain)	(305)	-	-	-	582	-	-	-
		63,230	5	74,856	8	130,779	6	150,650	9
6900	Operating income (loss)	9,310	1	25,354	3	(7,973)	-	37,176	1
7000	Non-operating income and expenses (notes 6(j)(l)(s)):								
7100	Interest income	344	-	250	-	615	(1)	589	-
7010	Other income (including covid-19-related government grants of \$33,697)	35,002	3	1,043	-	35,644	2	2,825	-
7020	Other gains and losses	(2,058)	-	(4,238)	-	(4,744)	-	(5,287)	-
7050	Interest expense	(7,182)	(1)	(4,858)	(1)	(14,775)	(1)	(9,353)	-
		26,106	2	(7,803)	(1)	16,740	-	(11,226)	-
7900	Profit before tax	35,416	3	17,551	2	8,767	-	25,950	1
7950	Less: income tax expenses (note 6(n))	7,425	1	3,493	-	2,437	-	6,790	-
8200	Net profit	27,991	2	14,058	2	6,330	-	19,160	1
8300	Other comprehensive income (notes 6(n)(o)):								
8360	Components of other comprehensive income that will be reclassified to profit or loss								
8361	Exchange differences on translation of foreign financial statements	(67)	-	29	-	(40)	-	41	-
8399	Less: income tax related to components of other comprehensive income that will be reclassified to profit or loss	(13)	-	6	-	(8)	-	8	-
8300	Other comprehensive income, net	(54)	-	23	-	(32)	-	33	-
8500	Total comprehensive income	\$ 27,937	2	14,081	2	6,298	-	19,193	1
	Profit, attributable to:								
8610	Owners of parent	\$ 27,991	2	14,058	2	6,330	-	19,160	1
	Comprehensive income attributable to:								
8710	Owners of parent	\$ 27,937	2	14,081	2	(6,298)	-	19,193	1
	Earnings per share (note 6(p)) (in New Taiwan dollars)								
9750	Basic earnings per share	\$ 0.23		0.12		0.05		0.16	
9850	Diluted earnings per share	\$ 0.20		0.12		0.05		0.16	

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 Changes in Equity
For the six months ended June 30, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	Euqity attributable to owners of parent							
	Common stock	Stock dividend to be distributed	Capital surplus	Retained earnings		Other equity		
				Legal reserve	Unappropriated retained earnings (accumulated deficit)	Exchange differences on translation of foreign financial statements	Treasury stock	Total equity
Balance at January 1, 2019	\$ 1,222,080	-	365,749	117,066	12,196	139	(41,173)	1,676,057
Net profit	-	-	-	-	19,160	-	-	19,160
Other comprehensive income	-	-	-	-	-	33	-	33
Total comprehensive income	-	-	-	-	19,160	33	-	19,193
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	-	1,540	(1,540)	-	-	-
Cash dividends	-	-	-	-	(9,610)	-	-	(9,610)
Cash dividends distributed from capital surplus	-	-	(110,510)	-	-	-	-	(110,510)
Repurchase of treasury stock	-	-	-	-	-	-	(9,298)	(9,298)
Retirement of treasury stock	(20,880)	-	(4,543)	-	(25,048)	-	50,471	-
Balance at June 30, 2019	\$ 1,201,200	-	250,696	118,606	(4,842)	172	-	1,565,832
Balance at January 1, 2020	\$ 1,201,200	-	273,054	118,606	10,811	77	-	1,603,748
Net profit	-	-	-	-	6,330	-	-	6,330
Other comprehensive income	-	-	-	-	-	(32)	-	(32)
Total comprehensive income	-	-	-	-	6,330	(32)	-	6,298
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	-	977	(977)	-	-	-
Cash dividends	-	-	-	-	(9,610)	-	-	(9,610)
Stock dividends distributed from capital surplus	-	110,510	(110,510)	-	-	-	-	-
Balance at June 30, 2020	\$ 1,201,200	110,510	162,544	119,583	6,554	45	-	1,600,436

See accompanying notes to consolidated financial statements.

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AIR ASIA CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the six months ended June 30, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30,	
	2020	2019
Cash flows from (used in) operating activities:		
Profit before tax	\$ 8,767	25,950
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	39,550	41,219
Amortization expense	2,555	3,823
Expected credit loss	582	-
Unrealized net gain on change in fair value of financial liabilities through profit or loss	(720)	-
Interest expense	14,775	9,353
Interest income	(615)	(589)
Loss on disposal of property, plan and equipment	-	1
Property, plant and equipment transferred to operating costs	35	-
Unrealized foreign exchange gains	(52)	-
Total adjustments to reconcile profit	56,110	53,807
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in contract assets— current	(198,857)	60,152
Decrease (increase) in notes and trade receivables, net	19,328	(364,077)
Decrease in other receivables	7,368	3,359
Decrease (increase) in inventories	204,927	(384,647)
Decrease (increase) in prepayments	(60,481)	28,239
Decrease (increase) in other current assets	774	(1,948)
Decrease in incremental costs of obtaining contracts— non-current	6,388	6,093
Total changes in operating assets	(20,553)	(652,829)
Changes in operating liabilities:		
Increase in contract liabilities— current	7,564	43,851
Increase (decrease) in trade payables	(30,856)	138,821
Increase (decrease) in other payables	(35,563)	10,667
Increase (decrease) in provisions— current	(6,498)	6,518
Increase (decrease) in other current liabilities	8,128	(3,900)
Decrease in net defined benefit liability— non-current	(11,059)	(41,220)
Total changes in operating liabilities	(68,284)	154,737
Net changes in operating assets and liabilities	(88,837)	(498,092)
Total adjustments	(32,727)	(444,285)
Cash used in operations	(23,960)	(418,335)
Interest received	736	449
Interest paid	(11,409)	(9,226)
Income tax paid	(65)	(1,616)
Net cash used in operating activities	(34,698)	(428,728)
Cash flows from (used in) investing activities:		
Decrease (increase) in refundable deposits	(41,064)	37,324
Acquisition of property, plant and equipment	(26,370)	(17,634)
Acquisition of intangible assets	(3,800)	(9,622)
Decrease (increase) in other non-current assets	4,072	(11,352)
Net cash used in investing activities	(67,162)	(1,284)
Cash flows from (used in) financing activities:		
Increase in short-term loans	160,000	57,925
Increase in short-term notes payable	80,026	199,858
Proceeds from long-term loans	220,000	249,992
Repayments of long-term loans	(198,750)	(8,333)
Payment of lease liabilities	(347)	(7,813)
Repurchase of treasury stock	-	(9,298)
Net cash generated from financing activities	260,929	482,331
Effects of exchange rate changes on balance of cash held in foreign currencies	(1,063)	41
Net increase in cash and cash equivalents	158,006	52,360
Cash and cash equivalents at the beginning of year	145,757	83,444
Cash and cash equivalents at end of year	\$ 303,763	135,804

See accompanying notes to consolidated financial statements.

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AIR ASIA CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 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 August 5, 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
Amendments to IFRS 16 “Covid-19-Related Rent Concessions”	June 1, 2020

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of significant changes are as follows:

Amendments to IFRS 16 “Covid-19-Related Rent Concessions”

As a practical expedient, a lessee may elect not to assess whether a rent concession that meets certain conditions is a lease modification, rather any changes in lease liability are recognized in profit or loss. The amendments have been endorsed by the FSC in July 2020, earlier application from January 1, 2020 is permitted. Related accounting policy is explained in note 4(c).

(Continued)

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

The Group has elected to apply the practical expedient for all rent concessions that meet the criteria beginning January 1, 2020, with early adoption. No adjustment was made upon the initial application of the amendments. The amounts recognized in profit or loss for the three and six months ended June 30, 2020 were \$1,627.

- (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
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022
Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023

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.

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

(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:

Name of investor	Name of subsidiary	Principal activity	Shareholding		
			June 30, 2020	December 31, 2019	June 30, 2019
The Company	Air Asia Company Ltd. (USA)	Logistics Services	100 %	100 %	100 %

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

(c) Leases

As a practical expedient, the Group elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- the rent concessions occurring as a direct consequence of the covid-19 pandemic;
- the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2021; and
- there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(d) 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.

(e) Government grants

The Group recognizes an unconditional government grant related to covid-19 in profit or loss as other income when the grant becomes receivable. Other government grants related to assets are initially recognized as deferred income at notional amount if there is reasonable assurance that they

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

will be received and the Group will comply with the conditions associated with the grant; they are then recognized in profit or loss as deduction of depreciation expenses on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(f) 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.

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.

(a) Cash and cash equivalents

	June 30, 2020	December 31, 2019	June 30, 2019
Cash and cash on hand	\$ 3,162	3,247	3,271
Demand deposits	300,601	142,510	132,533
Cash and cash equivalents in the consolidated statement of cash flows	\$ 303,763	145,757	135,804

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

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

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

	June 30, 2020	December 31, 2019	June 30, 2019
Notes receivable	\$ -	-	64
Trade receivables	1,205,673	1,225,403	1,166,767
Less: Loss allowance	<u>(16,219)</u>	<u>(15,637)</u>	<u>-</u>
Subtotal	<u>1,189,454</u>	<u>1,209,766</u>	<u>1,166,831</u>
Overdue receivables (recorded as other non-current assets)	32,013	32,013	32,013
Less: Loss allowance	<u>(32,013)</u>	<u>(32,013)</u>	<u>(32,013)</u>
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,189,454</u>	<u>1,209,766</u>	<u>1,166,831</u>

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. If the receivables of government in group 1 will be collected based on the central government budget, the amount of the receivables will be regarded as not overdue with no impairment risk. The loss allowance provision was determined as follows:

	June 30, 2020		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
<u>Group 1</u>			
Current	<u>\$ 1,147,786</u>	0.00%	<u>-</u>
<u>Group 2</u>			
Current	\$ 23,798	15.27%	3,634
1 to 90 days past due	16,563	18.53%	3,069
91 to 180 days past due	4,207	36.20%	1,523
181 to 270 days past due	6,553	47.28%	3,098
271 to 365 days past due	6,718	72.15%	4,847
More than 365 days past due	<u>32,061</u>	100.00%	<u>32,061</u>
	<u>\$ 89,900</u>		<u>48,232</u>

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

		December 31, 2019		
		Gross carrying amount	Weighted-average loss rate	Loss allowance provision
<u>Group 1</u>				
Current	\$	1,204,013	0.00%	-
1 to 90 days past due		3,302	0.00%	-
91 to 180 days past due		49	20.00%	10
181 to 270 days past due		47	30.00%	15
271 to 365 days past due		-	50.00%	-
More than 365 days past due		-	100.00%	-
	\$	<u><u>1,207,411</u></u>		<u><u>25</u></u>
		December 31, 2019		
		Gross carrying amount	Weighted-average loss rate	Loss allowance provision
<u>Group 2</u>				
Current	\$	2,496	86.00%	2,155
1 to 90 days past due		5,935	86.00%~100.00%	5,205
91 to 180 days past due		9,561	86.00%	8,252
181 to 270 days past due		-	100.00%	-
271 to 365 days past due		-	100.00%	-
More than 365 days past due		32,013	100.00%	32,013
	\$	<u><u>50,005</u></u>		<u><u>47,625</u></u>
		June 30, 2019		
		Gross carrying amount	Weighted-average loss rate	Loss allowance provision
<u>Group 1</u>				
Current	\$	1,162,351	0.00%	-
1 to 90 days past due		4,480	0.00%	-
91 to 180 days past due		-	20.00%	-
181 to 270 days past due		-	30.00%	-
271 to 365 days past due		-	50.00%	-
More than 365 days past due		-	100.00%	-
	\$	<u><u>1,166,831</u></u>		<u><u>-</u></u>
		June 30, 2019		
		Gross carrying amount	Weighted-average loss rate	Loss allowance provision
<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		32,013	100.00%	32,013
	\$	<u><u>32,013</u></u>		<u><u>32,013</u></u>

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

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

	For the six months ended June 30,	
	2020	2019
Balance at January 1	\$ 47,650	32,013
Impairment losses recognized	582	-
Balance at June 30	\$ 48,232	32,013

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

(c) **Other receivables**

	June 30, 2020	December 31, 2019	June 30, 2019
Other receivables—income taxes refund	\$ 11,145	11,080	10,999
Others	2,400	9,889	2,121
Less: Loss allowance	-	-	-
	\$ 13,545	20,969	13,120

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

(d) **Inventories**

	June 30, 2020	December 31, 2019	June 30, 2019
Repair materials and others	\$ 1,068,720	1,246,920	1,156,057
Finished goods	240,665	267,392	264,674
	\$ 1,309,385	1,514,312	1,420,731

The details of the cost of sales were as follows:

	April to June, 2020	April to June, 2019	January to June, 2020	January to June, 2019
Inventory that has been sold	\$ 1,043,841	837,457	1,822,393	1,633,136
Write-down of inventories (reversal of write-downs)	10,925	2,534	(7,852)	5,072
Write-off for inventories scrapped	1,594	-	2,693	-
Revenue from sale of scraps	(4)	-	(8)	(329)
	\$ 1,056,356	839,991	1,817,226	1,637,879

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

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

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

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

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Transportation equipment</u>	<u>Construction in process and testing equipment</u>	<u>Total</u>
Cost or deemed cost:							
Balance at January 1, 2020	\$ 255,076	658,059	641,650	50,780	76,838	68	1,682,471
Additions	-	487	11,668	631	2,824	7,487	23,097
Disposals	-	-	(1,513)	(76)	-	-	(1,589)
Reclassification	-	-	1,264	-	13,869	(35)	15,098 (Note 1)
Balance at June 30, 2020	<u>\$ 255,076</u>	<u>658,546</u>	<u>653,069</u>	<u>51,335</u>	<u>93,531</u>	<u>7,520</u>	<u>1,719,077</u>
Balance at January 1, 2019	\$ 255,076	655,041	604,477	50,051	62,248	-	1,626,893
Additions	-	1,558	14,939	1,114	-	23	17,634
Disposals	-	-	(1,322)	(288)	-	-	(1,610)
Reclassification	-	-	17,681	208	3,686	-	21,575 (Note 2)
Balance at June 30, 2019	<u>\$ 255,076</u>	<u>656,599</u>	<u>635,775</u>	<u>51,085</u>	<u>65,934</u>	<u>23</u>	<u>1,664,492</u>
Accumulated depreciation and impairment loss:							
Balance at January 1, 2020	\$ -	384,453	504,096	41,396	48,807	-	978,752
Depreciation	-	10,432	17,234	1,778	2,839	-	32,283
Disposals	-	-	(1,513)	(76)	-	-	(1,589)
Balance at June 30, 2020	<u>\$ -</u>	<u>394,885</u>	<u>519,817</u>	<u>43,098</u>	<u>51,646</u>	<u>-</u>	<u>1,009,446</u>
Balance at January 1, 2019	\$ -	363,153	472,217	37,324	45,120	-	917,814
Depreciation	-	10,903	17,877	2,475	1,521	-	32,776
Disposals	-	-	(1,321)	(288)	-	-	(1,609)
Balance at June 30, 2019	<u>\$ -</u>	<u>374,056</u>	<u>488,773</u>	<u>39,511</u>	<u>46,641</u>	<u>-</u>	<u>948,981</u>
Carrying value:							
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 June 30, 2020	<u>\$ 255,076</u>	<u>263,661</u>	<u>133,252</u>	<u>8,237</u>	<u>41,885</u>	<u>7,520</u>	<u>709,631</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 June 30, 2019	<u>\$ 255,076</u>	<u>282,543</u>	<u>147,002</u>	<u>11,574</u>	<u>19,293</u>	<u>23</u>	<u>715,511</u>

Note 1 : The amount of \$15,133 transferred from other non-current assets— prepayment for equipment and the amount of \$35 transferred to operating costs.

Note 2 : 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.

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

(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:

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost:					
Balance at January 1, 2020	\$ 281,495	-	603	4,373	286,471
Additions	-	1,018	-	3,579	4,597
Disposals	-	-	-	(1,034)	(1,034)
Balance at June 30, 2020	<u>\$ 281,495</u>	<u>1,018</u>	<u>603</u>	<u>6,918</u>	<u>290,034</u>
Balance at January 1, 2019	\$ -	-	-	-	-
Effects of adopting IFRS 16	281,495	-	-	3,479	284,974
Additions	-	-	603	-	603
Balance at June 30, 2019	<u>\$ 281,495</u>	<u>-</u>	<u>603</u>	<u>3,479</u>	<u>285,577</u>
Accumulated depreciation and impairment loss:					
Balance at January 1, 2020	\$ 14,815	-	168	2,032	17,015
Depreciation	7,408	178	100	1,208	8,894
Disposals	-	-	-	(1,034)	(1,034)
Balance at June 30, 2020	<u>\$ 22,223</u>	<u>178</u>	<u>268</u>	<u>2,206</u>	<u>24,875</u>
Balance at January 1, 2019	\$ -	-	-	-	-
Depreciation	7,408	-	67	968	8,443
Balance at June 30, 2019	<u>\$ 7,408</u>	<u>-</u>	<u>67</u>	<u>968</u>	<u>8,443</u>
Carrying value:					
Balance at January 1, 2020	<u>\$ 266,680</u>	<u>-</u>	<u>435</u>	<u>2,341</u>	<u>269,456</u>
Balance at June 30, 2020	<u>\$ 259,272</u>	<u>840</u>	<u>335</u>	<u>4,712</u>	<u>265,159</u>
Balance at January 1, 2019	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at June 30, 2019	<u>\$ 274,087</u>	<u>-</u>	<u>536</u>	<u>2,511</u>	<u>277,134</u>

(g) **Intangible assets**

The details of intangible assets were as follows:

	<u>Acquired special technology</u>	<u>Software</u>	<u>Total</u>
Carrying value:			
Balance at January 1, 2020	<u>\$ 5,174</u>	<u>1,177</u>	<u>6,351</u>
Balance at June 30, 2020	<u>\$ 6,451</u>	<u>1,145</u>	<u>7,596</u>
Balance at January 1, 2019	<u>\$ 841</u>	<u>2,029</u>	<u>2,870</u>
Balance at June 30, 2019	<u>\$ 7,252</u>	<u>1,417</u>	<u>8,669</u>

There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the six months ended June 30, 2020 and 2019. Information on amortization for the period is disclosed 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.

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

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

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

	June 30,	December 31,	June 30,
	2020	2019	2019
Prepayment for equipment	\$ 4,752	23,146	13,298
Refundable deposits – non-current	62,878	63,444	14,938
Other non-current assets – other	9,037	9,848	4,499
Overdue receivables	-	-	-
	<u>\$ 76,667</u>	<u>96,438</u>	<u>32,735</u>

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

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

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

	June 30,	December 31,	June 30,
	2020	2019	2019
Short-term notes payable	\$ 529,866	449,840	429,783
Unsecured bank loans	760,000	600,000	780,000
Long-term unsecured bank loans	501,250	480,000	249,992
Long-term secured bank loans	-	-	191,666
Total	<u>\$ 1,791,116</u>	<u>1,529,840</u>	<u>1,651,441</u>
Current	\$ 1,364,866	1,087,340	1,257,700
Non-current	426,250	442,500	393,741
Total	<u>\$ 1,791,116</u>	<u>1,529,840</u>	<u>1,651,441</u>
Unused short-term notes payable credit lines	<u>\$ 150,000</u>	<u>180,000</u>	<u>200,000</u>
Unused short-term loans credit lines	<u>\$ 380,000</u>	<u>680,000</u>	<u>359,332</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>0.97%~1%</u>	<u>1%</u>	<u>1%</u>
Range of short-term loans interest rates	<u>0.25%~1%</u>	<u>0.7%~1.23%</u>	<u>0.7%~1.23%</u>
Range of long-term loans interest rates	<u>1.25%~1.3%</u>	<u>1.34%~1.36%</u>	<u>1.36%~1.37%</u>
Long-term loans due year	<u>2021~2024</u>	<u>2021~2024</u>	<u>2021~2024</u>

For the six months ended June 30, 2020 and 2019, the Group proceed from long-term loans amounting to \$220,000 and \$249,992, respectively, with an interest rate of 1.25%~1.3% and 1.36%~1.37%, respectively. The long-term loans are due in July, 2021 to March, 2024 and December, 2021 to March, 2024, respectively.

For the six months ended June 30, 2020 and 2019, the repayment amounted to \$198,750 and \$8,333, respectively.

Assets pledged are disclosed in note 8.

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AIR ASIA CO., LTD. AND SUBSIDIARIES
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(j) **Bonds payable**

	June 30, 2020	December 31, 2019
Total convertible corporate bonds issued	\$ 500,000	500,000
Unamortized discounted corporate bonds payable	(21,611)	(25,028)
Corporate bonds issued balance at year-end	<u>\$ 478,389</u>	<u>474,972</u>
Embedded derivative – put and redeem options, included in financial liabilities at fair value through profit or loss	<u>\$ 750</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>

	April to June, 2020	April to June, 2019	January to June, 2020	January to June, 2019
Embedded derivative – put and redeem options, included in gains on financial liabilities at fair value through profit or loss	<u>\$ 1,730</u>	<u>-</u>	<u>720</u>	<u>-</u>
Interest expense (effective interest rate of 1.28%~1.69%)	<u>\$ 1,712</u>	<u>-</u>	<u>3,417</u>	<u>-</u>

There were no significant issues, repurchases and repayments of bonds payable for the six months ended June 30, 2020 and 2019. Please refer to Note 6、10. of the 2019 annual consolidated financial statements for other related information.

(k) **Provisions**

	June 30, 2020	December 31, 2019	June 30, 2019
Warranties	<u>\$ 24,994</u>	<u>31,492</u>	<u>25,630</u>

There were no significant changes in provisions for the six months ended June 30, 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:

	June 30, 2020	December 31, 2019	June 30, 2019
Current	\$ 22,711	15,399	15,576
Non-current	250,638	255,327	262,188
	<u>\$ 273,349</u>	<u>270,726</u>	<u>277,764</u>

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AIR ASIA CO., LTD. AND SUBSIDIARIES
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For the maturity analysis, please refer to note 6(t).

The amounts recognized in profit or loss were as follows:

	April to June, 2020	April to June, 2019	January to June, 2020	January to June, 2019
Interest on lease liabilities	\$ <u>677</u>	<u>704</u>	<u>1,356</u>	<u>1,416</u>
Expenses relating to short-term leases	\$ <u>766</u>	<u>1,407</u>	<u>1,595</u>	<u>2,802</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>35</u>	<u>32</u>	<u>75</u>	<u>92</u>
Covid-19-related rent concessions	\$ <u>1,627</u>	<u>-</u>	<u>1,627</u>	<u>-</u>

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

	<u>For the six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Total cash outflow for leases	\$ <u>3,373</u>	<u>12,123</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 six months ended June 30, 2019 was measured and disclosed according to the actuarial report as of December 31, 2018.

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AIR ASIA CO., LTD. AND SUBSIDIARIES
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The expenses recognized in profit or loss for the Group were as follows:

	April to June, 2020	April to June, 2019	January to June, 2020	January to June, 2019
Operating cost	\$ -	837	36	1,614
Administration expenses	-	305	13	671
Total	<u>\$ -</u>	<u>1,142</u>	<u>49</u>	<u>2,285</u>

2. Defined contribution plans

The Group's expenses under the pension plan cost to the Bureau of Labor Insurance for the three months and six months ended June 30, 2020 and 2019 were as follows:

	April to June, 2020	April to June, 2019	January to June, 2020	January to June, 2019
Operating cost	\$ 7,371	7,174	14,664	13,694
Selling expenses	504	532	1,029	1,046
Administration expenses	1,109	1,080	2,230	2,073
Research and development expenses	-	149	-	367
Total	<u>\$ 8,984</u>	<u>8,935</u>	<u>17,923</u>	<u>17,180</u>

(n) **Income taxes**

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

	April to June, 2020	April to June, 2019	January to June, 2020	January to June, 2019
Current tax expense				
Adjustment for prior periods	\$ -	-	-	1,616
Deferred tax expense				
Origination and reversal of temporary differences	7,425	3,493	2,437	5,174
Income tax expense	<u>\$ 7,425</u>	<u>3,493</u>	<u>2,437</u>	<u>6,790</u>

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AIR ASIA CO., LTD. AND SUBSIDIARIES
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The amount of income tax expense (benefit) recognized in other comprehensive income was as follows:

	<u>April to June, 2020</u>	<u>April to June, 2019</u>	<u>January to June, 2020</u>	<u>January to June, 2019</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation	\$ <u>(13)</u>	<u>6</u>	<u>(8)</u>	<u>8</u>

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 June 30, 2020, December 31 and June 30, 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 the periods from January 1 to June 30, 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. Stock dividends to be distributed

On June 17, 2020, the shareholders' meeting resolved to issue 11,051 thousand new shares by its capital surplus in the amount of \$110,510, with a par value of \$10 per share. The Company resolved the basis date of the increase capital to be after the reporting date, and the relevant registration procedures have not been completed, so it was recorded as the stock dividends to be distributed.

2. Capital surplus

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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Additional paid-in capital	\$ 40,123	150,633	150,633
Gain on disposal of assets	100,063	100,063	100,063
Conversion of convertible bonds	22,358	22,358	-
	<u>\$ 162,544</u>	<u>273,054</u>	<u>250,696</u>

The shareholders' meeting resolved on June 17, 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).

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

3. 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 240 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.

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	0.08	0.08
		<u>9,610</u>		<u>9,610</u>

4. Treasury stock

For the six months ended June 30, 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 June 30, 2019, the abovementioned treasury shares have been retired.

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.

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

5. Other equity (net of tax)

	Exchange differences on translation of foreign financial statements
Balance at January 1, 2020	\$ 77
Exchange differences on foreign operations	(32)
Balance at June 30, 2020	<u>\$ 45</u>
Balance at January 1, 2019	\$ 139
Exchange differences on foreign operations	33
Balance at June 30, 2019	<u>\$ 172</u>

(p) **Earnings per share**

For the three months and six months ended June 30, 2020 and 2019, the Company's earnings per share were calculated as follows:

	Unit of share: thousand			
	April to June, 2020	April to June, 2019	January to June, 2020	January to June, 2019
Basic earnings per share				
Profit attributable to common shareholders of the Company	\$ 27,991	14,058	6,330	19,160
Weighted-average number of shares	<u>120,120</u>	<u>120,120</u>	<u>120,120</u>	<u>120,182</u>
	<u>\$ 0.23</u>	<u>0.12</u>	<u>0.05</u>	<u>0.16</u>
Diluted earnings per share				
Profit attributable to common shareholders of the Company	\$ 27,991	14,058	6,330	19,160
Effect of dilutive ordinary shares:				
Convertible bonds	327	-	-	-
Profit attributable to common shareholders of the Company (diluted)	<u>\$ 28,318</u>	<u>14,058</u>	<u>6,330</u>	<u>19,160</u>
Weighted-average number of shares	120,120	120,120	120,120	120,182
Effect of dilutive ordinary shares:				
Remuneration to employees	11	25	29	26
Convertible bonds	23,969	-	-	-
Weighted-average number of shares (diluted)	<u>144,100</u>	<u>120,145</u>	<u>120,149</u>	<u>120,208</u>
	<u>\$ 0.20</u>	<u>0.12</u>	<u>0.05</u>	<u>0.16</u>

For the six months ended June 30, 2020, there is an anti-diluted effect on convertible bonds.

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On June 17, 2020, the shareholders' meeting resolved to issue 11,051 thousand new shares by its capital surplus in the amount of \$110,510. If the capital increase occurs before the consolidated financial statements are authorized for issuance, the fictitious retrospective adjustment of earnings per share is as follows:

	January to June, 2020	January to June, 2019
Basic earnings per share	<u>\$ 0.05</u>	<u>0.15</u>
Diluted earnings per share	<u>\$ 0.05</u>	<u>0.15</u>

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

1. Disaggregation of revenue

	April to June, 2020	April to June, 2019	January to June, 2020	January to June, 2019
<u>Primary geographical markets</u>				
Taiwan	\$ 1,009,093	794,037	1,751,081	1,533,968
Russian	42,722	10,313	53,270	63,164
Other	<u>77,081</u>	<u>135,851</u>	<u>135,681</u>	<u>228,573</u>
	<u>\$ 1,128,896</u>	<u>940,201</u>	<u>1,940,032</u>	<u>1,825,705</u>
<u>Major services and timing of revenue recognition</u>				
At a point in time				
Aircraft maintenance	\$ 110,430	158,578	190,737	327,844
Fleet maintenance and repair supply pricing	132,067	86,776	227,293	181,473
Outsourced repair and air material transaction	184,819	281,871	361,025	480,731
Components maintenance	<u>404,890</u>	<u>290,746</u>	<u>747,205</u>	<u>580,423</u>
Subtotal	<u>832,206</u>	<u>817,971</u>	<u>1,526,260</u>	<u>1,570,471</u>
Over time				
Aircraft maintenance	\$ 117,770	118,251	234,522	241,222
Components maintenance	<u>178,920</u>	<u>3,979</u>	<u>179,250</u>	<u>14,012</u>
Subtotal	<u>296,690</u>	<u>122,230</u>	<u>413,772</u>	<u>255,234</u>
Total	<u>\$ 1,128,896</u>	<u>940,201</u>	<u>1,940,032</u>	<u>1,825,705</u>

(Continued)

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

2. Contract balances

	June 30, 2020	December 31, 2019	June 30, 2019
Notes, trade and overdue receivables	\$ 1,237,686	1,257,416	1,198,844
Less: Loss allowance	<u>(48,232)</u>	<u>(47,650)</u>	<u>(32,013)</u>
Total	<u>\$ 1,189,454</u>	<u>1,209,766</u>	<u>1,166,831</u>
Contract assets—Maintenance service	<u>\$ 520,436</u>	<u>321,579</u>	<u>273,028</u>
Contract liabilities—Maintenance service	<u>\$ 12,520</u>	<u>4,956</u>	<u>44,965</u>

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 six months ended June 30, 2020 and 2019 that were included in the contract liability balance at the beginning of the period were \$3,352 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.

Due to the impact of covid-19, Korean and Southeast Asian airlines canceled the orders resulting in a decrease in the operating revenue of commercial aircraft maintenance.

3. Assets recognized from costs to obtain a contract

	June 30, 2020	December 31, 2019	June 30, 2019
Incremental costs of obtaining contracts— non-current	\$ 58,315	63,425	61,685
Less: accumulated amortization	<u>(32,034)</u>	<u>(30,756)</u>	<u>(22,144)</u>
Total	<u>\$ 26,281</u>	<u>32,669</u>	<u>39,541</u>

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, \$3,673, \$6,388 and \$7,041 were recognized for the three months and six months ended June 30, 2020 and 2019.

(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.

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

The remunerations to employees amounted to \$179, \$339, \$179 and \$528 for the three-months and six-months period ended June 30, 2020 and 2019, respectively. 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

	April to June, 2020	April to June, 2019	January to June, 2020	January to June, 2019
Government grants	\$ 33,697	-	33,697	-
Rent income	348	361	695	963
Other income – others	957	682	1,252	1,862
	<u>\$ 35,002</u>	<u>1,043</u>	<u>35,644</u>	<u>2,825</u>

2. Other gains and losses

	April to June, 2020	April to June, 2019	January to June, 2020	January to June, 2019
Losses on disposals of property, plant and equipment	\$ -	(1)	-	(1)
Foreign exchange gains, net	2,584	(1,412)	3,199	(262)
Net gains on valuation of financial liabilities by fair value	1,730	-	720	-
Handing fees	(2,033)	(2,150)	(4,139)	(4,235)
Others	(4,339)	(675)	(4,524)	(789)
	<u>\$ (2,058)</u>	<u>(4,238)</u>	<u>(4,744)</u>	<u>(5,287)</u>

(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.

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

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 June 30, 2020, December 31 and June 30, 2019, a few customers of the Group accounted for 82%, 96% and 96%, 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 six months ended June 30, 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.

2. Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	2-5 years	Over 5 years
June 30, 2020						
Non-derivative financial liabilities						
With floating interest rates	\$ 1,261,250	1,274,746	842,302	149,231	283,213	-
With fixed interest rates	1,008,255	1,034,765	530,000	504,765	-	-
Non-interest-bearing liabilities						
Lease liabilities	549,125	549,125	549,125	-	-	-
Derivative financial liabilities	273,349	298,656	26,946	18,301	49,988	203,421
Embedded derivative	750	750	750	-	-	-
	<u>\$ 3,092,729</u>	<u>3,158,042</u>	<u>1,949,123</u>	<u>672,297</u>	<u>333,201</u>	<u>203,421</u>

(Continued)

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

	<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>
December 31, 2019						
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>
June 30, 2019						
Non-derivative financial liabilities						
With floating interest rates	\$ 1,221,658	1,235,874	832,178	108,997	294,699	-
With fixed interest rates	429,783	430,000	430,000	-	-	-
Non-interest-bearing liabilities						
	686,492	686,492	686,492	-	-	-
Lease liabilities	277,764	304,097	18,295	17,100	49,007	219,695
	<u>\$ 2,615,697</u>	<u>2,656,463</u>	<u>1,966,965</u>	<u>126,097</u>	<u>343,706</u>	<u>219,695</u>

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

3. Market risk

(i) Currency risk

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

	<u>June 30, 2020</u>			<u>December 31, 2019</u>			<u>June 30, 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	\$ 4,736	29.63	140,335	795	29.98	23,834	3,963	31.01	122,893
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	4,494	29.63	133,157	6,115	29.98	183,327	8,251	31.11	256,689

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.

(Continued)

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

When the exchange rate of the NTD versus the USD increases or decreases by 1%, given no changes in other factors, profit after tax will increase or decrease by \$57 and \$1,070, 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:

	January to June, 2020		January to June, 2019	
	Exchange		Exchange	
	gain (loss)	Average rate	gain (loss)	Average rate
NTD	\$ 3,199	-	(262)	-

(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.

If the interest rate had increased or decreased by 1%, the Group's net profit would have decreased or increased by \$5,045 and \$4,887 for the six months ended June 30, 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:

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

		June 30, 2020				
		Carrying	Fair Value			
		amount	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost						
Cash and cash equivalents	\$ 303,763	-	-	-	-	-
Notes and trade receivables	1,189,454	-	-	-	-	-
Other receivables	13,545	-	-	-	-	-
Refundable deposits – current	170,454	-	-	-	-	-
Refundable deposits – non-current (recorded as other non-current assets)	<u>62,878</u>	-	-	-	-	-
	<u>\$1,740,094</u>					
Financial liabilities at fair value through profit or loss						
Financial liabilities designated at fair value through profit or loss	<u>\$ 750</u>	-	750	-	-	750
Financial liabilities measured at amortized cost						
Short-term loans	\$ 760,000	-	-	-	-	-
Short-term notes payable	529,866	-	-	-	-	-
Payables	549,125	-	-	-	-	-
Bonds payable	478,389	-	488,710	-	-	488,710
Long-term loans (included in current portion)	501,250	-	-	-	-	-
Lease liabilities	<u>273,349</u>	-	-	-	-	-
	<u>\$3,091,979</u>					
		December 31, 2019				
		Carrying	Fair Value			
		amount	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost						
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)	<u>63,444</u>	-	-	-	-	-
	<u>\$1,568,760</u>					
Financial liabilities at fair value through profit or loss						
Financial liabilities designated at fair value through profit or loss	<u>\$ 1,470</u>	-	1,470	-	-	1,470

(Continued)

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

	December 31, 2019				
	Carrying	Fair Value			Total
	amount	Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost					
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	<u>270,726</u>	-	-	-	-
	<u>\$2,886,273</u>				
June 30, 2019					
	Carrying	Fair Value			Total
	amount	Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 135,804	-	-	-	-
Notes and trade receivables	1,166,831	-	-	-	-
Other receivables	13,120	-	-	-	-
Refundable deposits – current	170,065	-	-	-	-
Refundable deposits – non-current(recorded as other non-current assets)	<u>14,938</u>	-	-	-	-
	<u>\$1,500,758</u>				
Financial liabilities measured at amortized cost					
Short-term loans	\$ 780,000	-	-	-	-
Short-term notes payable	429,783	-	-	-	-
Payables	686,492	-	-	-	-
Long-term loans(included in current portion)	441,658	-	-	-	-
Lease liabilities	<u>277,764</u>	-	-	-	-
	<u>\$2,615,697</u>				

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 six months ended June 30, 2020 and 2019.

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

(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.

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

The Group acquired right-of-use assets by leases in the six months ended June 30, 2020 and 2019, please refer to note 6(f).

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

Reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2020	Cash flows	Non-cash changes	June 30, 2020
Short-term loans	\$ 600,000	160,000	-	760,000
Short-term notes payable	449,840	80,026	-	529,866
Long-term loans (included in current portion)	480,000	21,250	-	501,250
Bonds payable	474,972	-	3,417	478,389
Lease liabilities	<u>270,726</u>	<u>(347)</u>	<u>2,970</u>	<u>273,349</u>
Total liabilities from financing activities	<u>\$ 2,275,538</u>	<u>260,929</u>	<u>6,387</u>	<u>2,542,854</u>
	January 1, 2019	Cash flows	Non-cash changes	June 30, 2019
Short-term loans	\$ 722,075	57,925	-	780,000
Short-term notes payable	229,925	199,858	-	429,783
Long-term loans (included in current portion)	199,999	241,659	-	441,658
Lease liabilities	<u>-</u>	<u>(7,813)</u>	<u>285,577</u>	<u>277,764</u>
Total liabilities from financing activities	<u>\$ 1,151,999</u>	<u>491,629</u>	<u>285,577</u>	<u>1,929,205</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

(b) Significant transactions with related parties

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

	April to June, 2020	April to June, 2019	January to June, 2020	January to June, 2019
Other related parties	<u>\$ 40</u>	<u>201</u>	<u>160</u>	<u>201</u>

(Continued)

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

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 June 30, 2020 and 2019, the receivables from related parties were fully collected.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	April to June, 2020	April to June, 2019	January to June, 2020	January to June, 2019
Short-term employee benefits	\$ 3,729	3,426	7,452	7,081
Post-employment benefits	152	143	3,139	284
	<u>\$ 3,881</u>	<u>3,569</u>	<u>10,591</u>	<u>7,365</u>

(8) Pledged assets

The carrying amounts of pledged assets were as follows:

Pledged assets	Object	June 30, 2020	December 31, 2019	June 30, 2019
Refundable deposits – current	Guarantee deposits and customs bond	\$ 170,454	128,824	170,065
Refundable deposits – non-current (Note)	Guarantee deposits	62,878	63,444	14,938
Land	Short-term and long-term loans	255,076	255,076	255,076
Buildings and structures	Short-term and long-term loans	229,448	233,934	240,428
		<u>\$ 717,856</u>	<u>681,278</u>	<u>680,507</u>

Note: recorded as other non-current assets.

(9) Significant Commitments and Contingencies

(a) Unrecognized contractual commitments

- As of June 30, 2020, December 31 and June 30, 2019, the maintenance bond and customs bond offered by banks amounted to \$1,768,752, \$1,689,994 and \$1,689,753, respectively.

(b) Contingencies

- 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 third instance still in litigation, the Group is unable to evaluate the effect.

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

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 \$21,792 (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 \$21,792,\$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	April to June, 2020			April to June, 2019		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		132,693	34,365	167,058	137,835	37,584	175,419
Labor and health insurance		12,849	2,763	15,612	12,716	3,117	15,833
Pension		7,371	1,613	8,984	8,011	2,066	10,077
Others		8,029	1,622	9,651	10,359	1,693	12,052
Depreciation		18,759	387	19,146 (Note)	18,835	2,050	20,885
Amortization		1,806	33	1,839	1,865	251	2,116

By item	By function	January to June, 2020			January to June, 2019		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		265,195	73,303	338,498	273,454	73,679	347,133
Labor and health insurance		25,681	5,694	31,375	24,546	6,833	31,379
Pension		14,700	3,272	17,972	15,308	4,157	19,465
Others		18,022	3,152	21,174	20,135	3,382	23,517
Depreciation		37,254	2,296	39,550 (Note)	36,833	4,386	41,219
Amortization		2,490	65	2,555	3,313	510	3,823

Note : The covid-19-related rent concessions of \$1,627 were recognized as deduction of depreciation expenses for the three months and six months ended June 30,2020.

- (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 six months ended June 30, 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 six months ended June 30, 2020:None.

(b) Information on investments:

The followings are the information on investees for the six months ended June 30, 2020 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Main businesses and products	Original investment amount		Balance as of June 30, 2020			Net income (loss) of investee	Investment income (loss) recognized	Remark
			June 30, 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 %	3,351	(47)	(47)	(Note)

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

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

- (c) Information on investment in Mainland China:None.
- (d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Taiwan Aerospace Corporation		84,039,566	69.96 %
Taiwan Sugar Corporation		16,301,019	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.

(Continued)