

(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, 2021 and 2020**

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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, 2021 and 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2021 and 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, 2021 and 2020, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2021 and 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.



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 4, 2021

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, 2021 and 2020

AIR ASIA CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2021, December 31, 2020, and March 31, 2020

(Expressed in Thousands of New Taiwan Dollars)

Assets		March 31, 2021		December 31, 2020		March 31, 2020		Liabilities and Equity		March 31, 2021		December 31, 2020		March 31, 2020	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note 6(a))	\$ 330,146	7	158,454	4	263,410	6	2100	Short-term loans (notes 6(k) and 8)	\$ 780,000	17	380,000	9	760,000	16
1110	Financial assets at fair value through profit or loss—current (note 6(l))	-	-	210	-	-	-	2110	Short-term notes payable (note 6(j))	699,516	15	649,770	15	659,776	14
1140	Contract assets—current (notes 6(s))	826,335	18	730,523	17	318,402	7	2120	Financial liabilities at fair value through profit or loss—current (note 6(l))	-	-	-	-	2,480	-
1170	Notes and trade receivables, net (notes 6(b)(s) and 7)	1,252,902	26	1,077,859	24	1,262,410	27	2130	Contract liabilities—current (note 6(s))	6,507	-	6,633	-	16,342	-
1200	Other receivables (note 6(c))	1,883	-	13,188	-	13,622	-	2170	Trade payables	253,321	6	281,090	6	216,619	5
130X	Inventories (note 6(d))	974,452	21	1,074,706	25	1,448,817	31	2200	Other payables (note 6(q))	223,641	5	302,818	7	186,575	4
1410	Prepayments (note 6(e))	81,150	2	86,240	2	101,441	2	2250	Provisions—current (note 6(m))	22,340	-	21,432	-	21,374	-
1478	Refundable deposits—current (note 8)	118,435	3	131,606	3	146,711	3	2280	Lease liabilities—current (note 6(n))	20,354	-	29,875	1	20,238	-
1479	Other current assets (note 8)	20,141	-	1,422	-	1,174	-	2320	Current portion of bonds payable and long-term loans (notes 6(k)(l))	558,560	12	269,953	6	75,000	2
	Total current assets	<u>3,605,444</u>	<u>77</u>	<u>3,274,208</u>	<u>75</u>	<u>3,555,987</u>	<u>76</u>	2399	Other current liabilities	8,924	-	7,517	-	6,974	-
Non-current assets:									Total current liabilities	<u>2,573,163</u>	<u>55</u>	<u>1,949,088</u>	<u>44</u>	<u>1,965,378</u>	<u>41</u>
1600	Property, plant and equipment (notes 6(f) and 8)	682,492	15	693,231	16	714,951	15	Non-Current liabilities:							
1755	Right-of-use assets (note 6(g))	254,505	5	258,315	6	268,821	6	2530	Bonds payable (note 6(l))	-	-	286,877	7	476,677	10
1780	Intangible assets (note 6(h))	6,348	-	5,148	-	6,907	-	2540	Long-term loans (notes 6(k))	250,000	5	268,750	6	445,000	10
1840	Deferred tax assets	64,518	1	69,409	2	64,806	1	2570	Deferred tax liabilities	392	-	392	-	-	-
1955	Incremental costs of obtaining contracts—non-current (note 6(s))	17,651	-	20,895	-	29,475	-	2580	Lease liabilities—non-current (note 6(n))	240,154	5	243,849	6	254,048	5
1990	Other non-current assets (notes 6(b)(f)(i) and 8)	73,494	2	64,141	1	72,655	2		Total non-current liabilities	<u>490,546</u>	<u>10</u>	<u>799,868</u>	<u>19</u>	<u>1,175,725</u>	<u>25</u>
	Total non-current assets	<u>1,099,008</u>	<u>23</u>	<u>1,111,139</u>	<u>25</u>	<u>1,157,615</u>	<u>24</u>		Total liabilities	<u>3,063,709</u>	<u>65</u>	<u>2,748,956</u>	<u>63</u>	<u>3,141,103</u>	<u>66</u>
								Equity attributable to owners of parent (notes 6(l)(p)(q)):							
								3110	Common stock	1,311,710	28	1,311,710	30	1,201,200	25
								3200	Capital surplus	162,544	3	162,544	3	273,054	6
									Retained earnings:						
								3310	Legal reserve	119,583	3	119,583	3	118,606	3
								3350	Unappropriated retained earnings (accumulated deficit)	46,959	1	42,612	1	(20,460)	-
										166,542	4	162,195	4	98,146	3
								3400	Other equity	(53)	-	(58)	-	99	-
									Total equity	<u>1,640,743</u>	<u>35</u>	<u>1,636,391</u>	<u>37</u>	<u>1,572,499</u>	<u>34</u>
Total assets		<u>\$ 4,704,452</u>	<u>100</u>	<u>4,385,347</u>	<u>100</u>	<u>4,713,602</u>	<u>100</u>	Total liabilities and equity		<u>\$ 4,704,452</u>	<u>100</u>	<u>4,385,347</u>	<u>100</u>	<u>4,713,602</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, 2021 and 2020

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

		For the three months ended March 31,			
		2021		2020	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(s) and 7)	\$ 899,351	100	811,136	100
5000	Operating costs (notes 6(d)(n)(o)(s)(t), 7 and 12)	850,309	95	760,870	94
5900	Gross profit	49,042	5	50,266	6
6000	Operating expenses (notes 6(b)(n)(o)(t), 7 and 12):				
6100	Selling expenses	14,119	1	13,332	2
6200	Administrative expenses (including covid-19-related rent concessions of \$814 and \$0)	37,157	4	53,330	6
6450	Expected credit loss	588	-	887	-
		51,864	5	67,549	8
6900	Operating loss	(2,822)	-	(17,283)	(2)
7000	Non-operating income and expenses (notes 6(l)(n)(u)):				
7100	Interest income	112	-	271	-
7010	Other income (including covid-19-related government grants of \$30,559 and 0)	33,834	4	642	-
7020	Other gains and losses	4,353	-	(2,686)	-
7050	Interest expense	(6,565)	(1)	(7,593)	(1)
		31,734	3	(9,366)	(1)
7900	Profit (loss) before tax	28,912	3	(26,649)	(3)
7950	Less: income tax expenses (benefit)(note 6(p))	4,889	-	(4,988)	-
8200	Net profit (loss)	24,023	3	(21,661)	(3)
8300	Other comprehensive income (notes 6(p)(q)):				
8360	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	6	-	27	-
8399	Less: income tax related to components of other comprehensive income that will be reclassified to profit or loss	1	-	5	-
8300	Other comprehensive income, net	5	-	22	-
8500	Total comprehensive income	\$ 24,028	3	(21,639)	(3)
	Profit, attributable to:				
8610	Owners of parent	\$ 24,023	3	(21,661)	(3)
	Comprehensive income attributable to:				
8710	Owners of parent	\$ 24,028	3	(21,639)	(3)
	Earnings per share (note 6(r)) (in New Taiwan dollars)				
9750	Basic earnings per share	\$ 0.18		(0.17)	
9850	Diluted earnings per share	\$ 0.16		(0.17)	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
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AIR ASIA CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the three months ended March 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent					Total equity
	Common stock	Capital surplus	Legal reserve	Retained earnings Unappropriated retained earnings (accumulated deficit)	Other equity Exchange differences on translation of foreign financial statements	
Balance at January 1, 2020	\$ 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)
Balance at March 31, 2020	\$ 1,201,200	273,054	118,606	(20,460)	99	1,572,499
Balance at January 1, 2021	\$ 1,311,710	162,544	119,583	42,612	(58)	1,636,391
Net profit	-	-	-	24,023	-	24,023
Other comprehensive income	-	-	-	-	5	5
Total comprehensive income	-	-	-	24,023	5	24,028
Appropriation and distribution of retained earnings:						
Cash dividends	-	-	-	(19,676)	-	(19,676)
Balance at March 31, 2021	\$ 1,311,710	162,544	119,583	46,959	(53)	1,640,743

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, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31,	
	2021	2020
Cash flows from (used in) operating activities:		
Profit (loss) before tax	\$ 28,912	(26,649)
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	19,923	20,404
Amortization expense	927	716
Expected credit loss	588	887
Losses on valuation of financial assets and liabilities at fair value through profit or loss	210	1,010
Interest expense	6,565	7,593
Interest income	(112)	(271)
Unrealized foreign exchange losses (gains)	10	(1,299)
Total adjustments to reconcile profit	28,111	29,040
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in contract assets—current	(95,812)	3,177
Increase in notes and trade receivables, net	(175,540)	(53,514)
Decrease in other receivables	406	7,116
Decrease in inventories	100,254	65,495
Increase in prepayments	(4,626)	(67,079)
Decrease (increase) in other current assets	(1,389)	314
Decrease in incremental costs of obtaining contracts—non-current	3,244	3,194
Total changes in operating assets	(173,463)	(41,297)
Changes in operating liabilities:		
Increase (decrease) in contract liabilities—current	(126)	11,386
Decrease in trade payables	(28,180)	(131,849)
Decrease in other payables	(99,079)	(82,266)
Increase (decrease) in provisions—current	908	(10,118)
Increase in other current liabilities	1,407	459
Decrease in net defined benefit liability—non-current	-	(11,059)
Total changes in operating liabilities	(125,070)	(223,447)
Net changes in operating assets and liabilities	(298,533)	(264,744)
Total adjustments	(270,422)	(235,704)
Cash used in operations	(241,510)	(262,353)
Interest received	36	4
Interest paid	(4,735)	(5,753)
Income tax refund	10,976	-
Net cash used in operating activities	(235,233)	(268,102)
Cash flows from (used in) investing activities:		
Increase in other current assets	(17,330)	-
Decrease (increase) in refundable deposits	13,014	(8,921)
Acquisition of property, plant and equipment	(5,284)	(15,398)
Acquisition of intangible assets	(2,127)	(1,272)
Decrease in other non-current assets	520	13
Net cash used in investing activities	(11,207)	(25,578)
Cash flows from (used in) financing activities:		
Increase in short-term loans	400,000	160,000
Increase in short-term notes payable	49,746	209,936
Proceeds from long-term loans	-	220,000
Repayments of long-term loans	(18,750)	(180,000)
Payment of lease liabilities	(13,179)	(142)
Net cash generated from financing activities	417,817	409,794
Effects of exchange rate changes on balance of cash held in foreign currencies	315	1,539
Net increase in cash and cash equivalents	171,692	117,653
Cash and cash equivalents at the beginning of year	158,454	145,757
Cash and cash equivalents at end of year	\$ 330,146	263,410

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

Notes to the Consolidated Financial Statements

March 31, 2021 and 2020

(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 4, 2021.

(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 Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021 :

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on April 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

(Continued)

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

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

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>Standards or Interpretations</u>	<u>Content of amendments</u>	<u>Effective date per IASB</u>
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.	January 1, 2023
Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”	The amendments clarify that the ‘costs of fulfilling a contract’ comprises the costs that relate directly to the contract as follows: <ul style="list-style-type: none"> • the incremental costs – e.g. direct labor and materials; and • an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. 	January 1, 2022
Amendments to IAS 1 “Disclosure of Accounting Policies”	The key amendments to IAS 1 include: <ul style="list-style-type: none"> • requiring companies to disclose their material accounting policies rather than their significant accounting policies; • clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and • clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements. 	January 1, 2023
Amendments to IAS 8 “Definition of Accounting Estimates”	The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.	January 1, 2023

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.

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and

(Continued)

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

Its Associate or Joint Venture”

- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(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, 2020. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2020.

(b) Basis of consolidation

1. List of subsidiaries in the consolidated financial statements:

Name of investor	Name of subsidiary	Principal activity	Shareholding		
			March 31, 2021	December 31, 2020	March 31, 2020
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) 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.

(Continued)

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

(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.

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2020. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2020.

(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, 2020. Please refer to Note 6 of the 2020 annual consolidated financial statements.

(a) Cash and cash equivalents

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Cash and cash on hand	\$ 3,066	3,062	3,212
Demand deposits	327,080	155,392	260,198
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 330,146</u>	<u>158,454</u>	<u>263,410</u>

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

(b) Notes, trade and overdue receivables

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Notes receivable	\$ 858	-	177
Trade receivables (including from related parties)	1,268,343	1,093,570	1,278,757
Less: Loss allowance	<u>(16,299)</u>	<u>(15,711)</u>	<u>(16,524)</u>
Subtotal	<u>1,252,902</u>	<u>1,077,859</u>	<u>1,262,410</u>
Overdue receivables (recorded as other non-current assets)	28,641	28,641	32,013
Less: Loss allowance	<u>(28,641)</u>	<u>(28,641)</u>	<u>(32,013)</u>
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,252,902</u>	<u>1,077,859</u>	<u>1,262,410</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:

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		March 31, 2021		
		Gross carrying amount	Weighted-average loss rate	Loss allowance provision
<u>Group 1</u>				
Current		\$ <u>1,235,487</u>	0.00%	<u>-</u>
		March 31, 2021		
		Gross carrying amount	Weighted-average loss rate	Loss allowance provision
<u>Group 2</u>				
Current		\$ 16,811	2.28%	384
1 to 90 days past due		1,210	20.90%	253
91 to 180 days past due		-	52.51%	-
181 to 270 days past due		-	79.71%	-
271 to 365 days past due		205	85.15%	174
More than 365 days past due		44,129	100.00%	44,129
		<u>\$ 62,355</u>		<u>44,940</u>
		December 31, 2020		
		Gross carrying amount	Weighted-average loss rate	Loss allowance provision
<u>Group 1</u>				
Current		<u>\$ 1,054,238</u>	0.00%	<u>-</u>
		December 31, 2020		
		Gross carrying amount	Weighted-average loss rate	Loss allowance provision
<u>Group 2</u>				
Current		\$ 23,479	2.45%	574
1 to 90 days past due		142	21.21%	30
91 to 180 days past due		-	52.51%	-
181 to 270 days past due		223	58.19%	130
271 to 365 days past due		2,515	79.70%	2,004
More than 365 days past due		41,614	100.00%	41,614
		<u>\$ 67,973</u>		<u>44,352</u>
		March 31, 2020		
		Gross carrying amount	Weighted-average loss rate	Loss allowance provision
<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%	-
		<u>\$ 1,262,846</u>		<u>436</u>

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AIR ASIA CO., LTD. AND SUBSIDIARIES
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	March 31, 2020		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
<u>Group 2</u>			
Current	\$ -	100.00%	-
1 to 90 days past due	2,515	100.00%	2,515
91 to 180 days past due	6,716	100.00%	6,716
181 to 270 days past due	6,809	100.00%	6,809
271 to 365 days past due	48	100.00%	48
More than 365 days past due	32,013	100.00%	32,013
	<u>\$ 48,101</u>		<u>48,101</u>

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

	For the three months ended March 31,	
	2021	2020
Balance at January 1	\$ 44,352	47,650
Impairment losses recognized	588	887
Balance at March 31	<u>\$ 44,940</u>	<u>48,537</u>

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

(c) **Other receivables**

	March 31,	December 31,	March 31,
	2021	2020	2020
Other receivables—income taxes refund	\$ 223	11,198	11,080
Others	1,660	1,990	2,542
Less: Loss allowance	-	-	-
	<u>\$ 1,883</u>	<u>13,188</u>	<u>13,622</u>

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

(d) **Inventories**

	March 31,	December 31,	March 31,
	2021	2020	2020
Repair materials and others	\$ 755,172	827,474	1,103,475
Finished goods	219,280	247,232	345,342
	<u>\$ 974,452</u>	<u>1,074,706</u>	<u>1,448,817</u>

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AIR ASIA CO., LTD. AND SUBSIDIARIES
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The details of the cost of sales were as follows:

	For the three months ended March 31,	
	2021	2020
Inventory that has been sold and service costs	\$ 775,235	740,713
Unallocated production overheads	46,741	37,839
Write-down of inventories (reversal of write-downs)	28,353	(18,777)
Write-off for inventories scrapped	-	1,099
Gains on physical inventory	(20)	-
Revenue from sale of scraps	-	(4)
	\$ 850,309	760,870

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

(e) Prepayments

The details of prepayments were as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
Prepayment for materials	\$ 57,383	59,744	73,322
Prepayment of bank performance guarantee fees	7,106	8,978	3,311
Prepayment – other	16,661	17,518	24,808
	\$ 81,150	86,240	101,441

(f) Property, plant and equipment

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

	Land	Buildings and structures	Machinery and equipment	Office equipment	Transportation equipment	Construction in process and testing equipment	Total
Cost or deemed cost:							
Balance at January 1, 2021	\$ 255,076	658,546	664,028	52,252	93,530	7,550	1,730,982
Additions	-	-	4,384	1,027	-	-	5,411
Balance at March 31, 2021	\$ 255,076	658,546	668,412	53,279	93,530	7,550	1,736,393
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	\$ 255,076	658,546	650,817	51,315	93,531	73	1,709,358

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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
Accumulated depreciation and impairment loss:							
Balance at January 1, 2021	\$ -	405,240	533,200	44,687	54,624	-	1,037,751
Depreciation	-	5,031	8,710	932	1,477	-	16,150
Balance at March 31, 2021	<u>\$ -</u>	<u>410,271</u>	<u>541,910</u>	<u>45,619</u>	<u>56,101</u>	<u>-</u>	<u>1,053,901</u>
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>
Carrying value:							
Balance at January 1, 2021	<u>\$ 255,076</u>	<u>253,306</u>	<u>130,828</u>	<u>7,565</u>	<u>38,906</u>	<u>7,550</u>	<u>693,231</u>
Balance at March 31, 2021	<u>\$ 255,076</u>	<u>248,275</u>	<u>126,502</u>	<u>7,660</u>	<u>37,429</u>	<u>7,550</u>	<u>682,492</u>
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>

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.

(g) **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
Cost:					
Balance at January 1, 2021	\$ 281,495	1,628	603	7,601	291,327
Additions	-	-	-	777	777
Disposals	-	-	-	(557)	(557)
Balance at March 31, 2021	<u>\$ 281,495</u>	<u>1,628</u>	<u>603</u>	<u>7,821</u>	<u>291,547</u>
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>
Accumulated depreciation and impairment loss:					
Balance at January 1, 2021	\$ 29,631	520	369	2,492	33,012
Depreciation	3,704	171	50	662	4,587
Disposals	-	-	-	(557)	(557)
Balance at March 31, 2021	<u>\$ 33,335</u>	<u>691</u>	<u>419</u>	<u>2,597</u>	<u>37,042</u>
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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	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Total
Carrying value:					
Balance at March 31, 2021	\$ 248,160	937	184	5,224	254,505
Balance at March 31, 2020	\$ 262,976	937	385	4,523	268,821

(h) **Intangible assets**

The details of intangible assets were as follows:

	Acquired special technology	Software	Total
Carrying value:			
Balance at January 1, 2021	\$ 4,373	775	5,148
Balance at March 31, 2021	\$ 5,750	598	6,348
Balance at January 1, 2020	\$ 5,174	1,177	6,351
Balance at March 31, 2020	\$ 5,768	1,139	6,907

There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the three months ended March 31, 2021 and 2020. Information on amortization for the period is disclosed in Note 12. For other relevant information, please refer to note 6(h) of the consolidated financial statements for the year ended December 31, 2020.

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

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

	March 31, 2021	December 31, 2020	March 31, 2020
Prepayment for equipment	\$ 1,078	697	7,870
Refundable deposits – non-current	56,408	56,251	54,478
Other non-current assets – other	16,008	7,193	10,307
Overdue receivables	-	-	-
	\$ 73,494	64,141	72,655

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

(j) **Short-term notes payable**

	March 31, 2021	December 31, 2020	March 31, 2020
Commercial paper payable	\$ 699,516	649,770	659,776

There were no significant issues, repurchases and repayments of short-term notes payable for the three months ended March 31, 2021 and 2020. Please refer to note 6(j) of the 2020 annual consolidated financial statements for other related information.

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

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

	March 31, 2021	December 31, 2020	March 31, 2020
Unsecured bank loans – NTD	\$ 780,000	380,000	760,000
Long-term unsecured bank loans – NTD	325,000	343,750	520,000
Total	<u>\$ 1,105,000</u>	<u>723,750</u>	<u>1,280,000</u>
Current	\$ 855,000	455,000	835,000
Non-current	250,000	268,750	445,000
Total	<u>\$ 1,105,000</u>	<u>723,750</u>	<u>1,280,000</u>
Unused short-term loans credit lines	<u>\$ 360,000</u>	<u>760,000</u>	<u>440,000</u>
Unused long-term loans credit lines	<u>\$ 200,000</u>	<u>200,000</u>	<u>130,000</u>
Range of short-term loans interest rates	<u>0.255%~1.0313%</u>	<u>0.255%~0.885%</u>	<u>0.7%~1.23%</u>
Range of long-term loans interest rates	<u>1.25%~1.30%</u>	<u>1.25%~1.30%</u>	<u>1.34%~1.36%</u>
Long-term loans due year	<u>2022~2024</u>	<u>2022~2024</u>	<u>2021~2024</u>

For the three months ended March 31, 2021, the Group did not proceed from long-term loans. For the three months ended March 31, 2020, the Group proceed from long-term loans amounting to \$220,000, with an interest rate of 1.34%~1.36%. The long-term loans are due in July, 2021 to March, 2024.

For the three months ended Marchr 31, 2021 and 2020, the repayment amounted to \$18,750 and \$180,000, respectively.

Assets pledged are disclosed in note 8.

(l) **Bonds payable**

	March 31, 2021	December 31, 2020	March 31, 2020
Total convertible corporate bonds issued	\$ 500,000	500,000	500,000
Unamortized discounted corporate bonds payable	(16,440)	(18,170)	(23,323)
Corporate bonds issued balance at year-end	<u>\$ 483,560</u>	<u>481,830</u>	<u>476,677</u>
Current	\$ 483,560	194,953	-
Non-current	-	286,877	476,677
Total	<u>\$ 483,560</u>	<u>481,830</u>	<u>476,677</u>
Embedded derivative – put and redeem options, included in financial liabilities (assets) at fair value through profit or loss	<u>\$ -</u>	<u>(210)</u>	<u>2,480</u>
Equity component – conversion options, included in capital surplus– conversion of convertible bonds	<u>\$ 22,358</u>	<u>22,358</u>	<u>22,358</u>

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AIR ASIA CO., LTD. AND SUBSIDIARIES
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	For the three months ended March 31,	
	2021	2020
Embedded derivative – put and redeem options, included in losses on financial assets and liabilities at fair value through profit or loss	\$ 210	1,010
Interest expense (effective interest rate of 1.28%~1.69%)	\$ 1,730	1,705

There were no significant issues, repurchases and repayments of bonds payable for the three months ended March 31, 2021 and 2020. Please refer to Note 6(l) of the 2020 annual consolidated financial statements for other related information.

(m) Provisions

	March 31, 2021	December 31, 2020	March 31, 2020
Warranties	\$ 22,340	21,432	21,374

There were no significant changes in provisions for the three months ended March 31, 2021 and 2020. Please refer to Note 6(m) of the 2020 annual consolidated financial statements for other related information.

(n) Lease liabilities

The carrying value of lease liabilities was as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
Current	\$ 20,354	29,875	20,238
Non-current	240,154	243,849	254,048
	\$ 260,508	273,724	274,286

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

The amounts recognized in profit or loss were as follows:

	For the three months ended March 31,	
	2021	2020
Interest on lease liabilities	\$ 653	679
Expenses relating to short-term leases	\$ 846	829
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ 33	40
Covid-19-related rent concessions	\$ 814	-

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AIR ASIA CO., LTD. AND SUBSIDIARIES
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The amounts recognized in the statement of cash flows for the Group was as follows:

	For the three months ended March 31,	
	2021	2020
Total cash outflow for leases	\$ 14,711	1,690
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 two to 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.

(o) **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.

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

	For the three months ended March 31,	
	2021	2020
Operating cost	\$ -	36
Administration expenses	-	13
	\$ -	49

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, 2021 and 2020 were as follows:

	For the three months ended March 31,	
	2021	2020
Operating cost	\$ 7,552	7,293
Selling expenses	487	525
Administration expenses	996	1,121
	\$ 9,035	8,939

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(p) **Income taxes**

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

	For the three months ended March 31,	
	2021	2020
Current tax expense		
Adjustment for prior periods	\$ (1)	-
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	4,890	(4,988)
Income tax expense (benefit)	<u>\$ 4,889</u>	<u>(4,988)</u>

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

	For the three months ended March 31,	
	2021	2020
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statement	\$ <u>1</u>	<u>5</u>

2. The Company's income tax return for the year 2018 had been examined by the tax authorities.

(q) **Capital and other equity**

As of March 31, 2021, December 31 and March 31, 2020, the authorized common stock of the Company was \$1,800,000, \$1,800,000 and 1,300,000 respectively, comprising 180,000, 180,000 and 130,000 thousand shares, respectively, with a par value of \$10 per share. The issued shares were 131,171, 131,171 and 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 March 31, 2021 and 2020. For the related information, please refer to note 6(q) of the consolidated financial statements for the year ended December 31, 2020.

1. Capital surplus

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

	March 31,	December 31,	March 31,
	2021	2020	2020
Additional paid-in capital	\$ 40,123	40,123	150,633
Gain on disposal of assets	100,063	100,063	100,063
Conversion of convertible bonds	22,358	22,358	22,358
	<u>\$ 162,544</u>	<u>162,544</u>	<u>273,054</u>

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The board of directors resolved on February 23, 2021 to issue new shares by its capital surplus in the amount of \$39,351 (NT\$ 0.3 per share).

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).

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 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 amount of cash dividends (recorded as other payables) of appropriations of earnings for 2020 had been approved and the amount of shares dividends of appropriations of earnings for 2020 had been proposed in the board meeting held on February 23, 2021. The amount of cash dividends (recorded as other payables) of appropriations of earnings for 2019 had been approved in the board meeting held on March 26, 2020. These earnings were appropriated as follows:

	Unit per share: dollar			
	2020		2019	
	<u>TWD/per share</u>	<u>Amount</u>	<u>TWD/per share</u>	<u>Amount</u>
Dividends distributed to ordinary shareholders				
Cash	\$ 0.15	19,676	0.08	9,610
Shares	0.14	<u>18,364</u>		<u>-</u>
Total		<u>\$ 38,040</u>		<u>9,610</u>

3. Other equity (net of tax)

	Exchange differences on translation of foreign financial statements
Balance at January 1, 2021	\$ (58)
Exchange differences on foreign operations	<u>5</u>
Balance at March 31, 2021	<u>\$ (53)</u>
Balance at January 1, 2020	\$ 77
Exchange differences on foreign operations	<u>22</u>
Balance at March 31, 2020	<u>\$ 99</u>

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(r) **Earnings per share**

For the three months ended March 31, 2021 and 2020, the Company's earnings per share were calculated as follows:

	Unit of share: thousand	
	For the three months ended March 31,	
	2021	2020
Basic earnings per share		
Profit (loss) attributable to common shareholders of the Company	\$ <u>24,023</u>	<u>(21,661)</u>
Weighted-average number of shares	<u>131,171</u>	<u>131,171</u>
	<u>\$ 0.18</u>	<u>(0.17)</u>
Diluted earnings per share		
Profit (loss) attributable to common shareholders of the Company	\$ 24,023	(21,661)
Effect of dilutive ordinary shares:		
Convertible bonds	1,898	-
Profit (loss) attributable to common shareholders of the Company (diluted)	<u>\$ 25,921</u>	<u>(21,661)</u>
Weighted-average number of shares	131,171	131,171
Effect of dilutive ordinary shares:		
Remuneration to employees	59	-
Convertible bonds	26,316	-
Weighted-average number of shares (diluted)	<u>157,546</u>	<u>131,171</u>
	<u>\$ 0.16</u>	<u>(0.17)</u>

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

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

1. Disaggregation of revenue

	For the three months ended March 31,	
	2021	2020
<u>Primary geographical markets</u>		
Taiwan	\$ 811,845	741,988
Asia	51,557	10,548
Other	<u>35,949</u>	<u>58,600</u>
	<u>\$ 899,351</u>	<u>811,136</u>

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AIR ASIA CO., LTD. AND SUBSIDIARIES
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	For the three months ended March 31,	
	2021	2020
<u>Major services and timing of revenue recognition</u>		
At a point in time		
Aircraft maintenance	\$ 94,665	80,307
Repair supply pricing	41,801	28,311
Outsourced repair and air material transaction	250,737	176,206
Components maintenance	<u>27,640</u>	<u>342,315</u>
Subtotal	<u>414,843</u>	<u>627,139</u>
Over time		
Aircraft maintenance	80,859	116,752
Fleet maintenance	105,863	66,915
Components maintenance	<u>297,786</u>	<u>330</u>
Subtotal	<u>484,508</u>	<u>183,997</u>
Total	<u><u>\$ 899,351</u></u>	<u><u>811,136</u></u>

2. Contract balances

	March 31,	December	March 31,
	2021	31, 2020	2020
Notes, trade and overdue receivables	\$ 1,297,842	1,122,211	1,310,947
Less: Loss allowance	<u>(44,940)</u>	<u>(44,352)</u>	<u>(48,537)</u>
Total	<u><u>\$ 1,252,902</u></u>	<u><u>1,077,859</u></u>	<u><u>1,262,410</u></u>
Contract assets – Maintenance service	<u><u>\$ 826,335</u></u>	<u><u>730,523</u></u>	<u><u>318,402</u></u>
Contract liabilities – Maintenance service	<u><u>\$ 6,507</u></u>	<u><u>6,633</u></u>	<u><u>16,342</u></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 three months ended March 31, 2021 and 2020 that were included in the contract liability balance at the beginning of the period were \$5,276 and \$2,882, 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 aircraft maintenance.

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

3. Assets recognized from costs to obtain a contract

	March 31, 2021	December 31, 2020	March 31, 2020
Incremental costs of obtaining contracts—non-current	\$ 59,317	59,317	63,425
Less: accumulated amortization	(41,666)	(38,422)	(33,950)
Total	<u>\$ 17,651</u>	<u>20,895</u>	<u>29,475</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 \$3,244 and \$3,194 were recognized for the three months ended March 31, 2021 and 2020.

(t) **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.

The remunerations to employees amounted to \$610 for the three-months period ended March 31, 2021. These amounts was 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. Remuneration to employees was not accrued because of the Company's net loss before tax for the three-months period ended March 31, 2020. 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, 2020 and 2019, the remunerations to employees amounted to \$678 and \$1,212, 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.

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

1. Other income

	For the three months ended March 31,	
	2021	2020
Government grants	\$ 30,559	-
Rent income	348	347
Other income—others	2,927	295
	<u>\$ 33,834</u>	<u>642</u>

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AIR ASIA CO., LTD. AND SUBSIDIARIES
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The Group received a wage subsidy of \$30,559 for the three months ended March 31, 2021. This is a relief measure provided by the R.O.C government in response to the Covid-19 pandemic. The Group has the right to receive the grant because it has met the application requirements of the aforementioned wage subsidy relief measure. This grant was recognized in profit or loss under other income. As of March 31, 2021, the receivables related to this grant was fully received.

2. Other gains and losses

	For the three months ended March 31,	
	2021	2020
Foreign exchange gains, net	\$ 6,925	615
Net losses on valuation of financial assets and liabilities at fair value through profit or loss	(210)	(1,010)
Handing fees	(2,362)	(2,106)
Others	-	(185)
	\$ 4,353	(2,686)

(v) **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 6(v) of the consolidated financial statements for the year ended December 31, 2020.

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, 2021, December 31 and March 31, 2020, a few customers of the Group accounted for 86%, 76% and 85%, 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, 2021 and 2020. 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>
March 31, 2021						
Non-derivative financial liabilities						
With floating interest rates	\$ 1,105,000	1,113,045	860,365	177,071	75,609	-
With fixed interest rates	1,183,076	1,204,765	1,204,765	-	-	-
Non-interest-bearing liabilities						
	476,962	476,962	476,962	-	-	-
Lease liabilities	<u>260,508</u>	<u>282,833</u>	<u>23,641</u>	<u>18,613</u>	<u>49,363</u>	<u>191,216</u>
	<u>\$ 3,025,546</u>	<u>3,077,605</u>	<u>2,565,733</u>	<u>195,684</u>	<u>124,972</u>	<u>191,216</u>
December 31, 2020						
Non-derivative financial liabilities						
With floating interest rates	\$ 732,750	741,939	469,652	177,623	94,664	-
With fixed interest rates	1,131,600	1,154,765	851,001	303,764	-	-
Non-interest-bearing liabilities						
	583,908	583,908	583,908	-	-	-
Lease liabilities	<u>273,724</u>	<u>299,235</u>	<u>35,547</u>	<u>18,806</u>	<u>49,598</u>	<u>195,284</u>
	<u>\$ 2,721,982</u>	<u>2,779,847</u>	<u>1,940,108</u>	<u>500,193</u>	<u>144,262</u>	<u>195,284</u>
March 31, 2019						
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	<u>2,480</u>	<u>2,480</u>	<u>2,480</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<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>

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, 2021</u>			<u>December 31, 2020</u>			<u>March 31, 2020</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	\$ 2,884	28.535	82,293	1,963	28.48	55,897	2,084	30.23	62,998
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	5,048	28.535	144,032	6,808	28.48	193,897	5,312	30.23	160,544

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 receivable, 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 \$494 and \$780, 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, 2021</u>		<u>January to March, 2020</u>	
	<u>Exchange gain (loss)</u>	<u>Average rate</u>	<u>Exchange gain (loss)</u>	<u>Average rate</u>
NTD	\$ <u><u>6,925</u></u>	-	<u><u>615</u></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.

If the interest rate had increased or decreased by 1%, the Group's net profit (loss) would have decreased or increased by \$2,210 and \$2,560 for the three months ended March 31, 2021 and 2020 with all other variable factors remaining constant. This is mainly due to the Group's borrowing at floating rates.

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AIR ASIA CO., LTD. AND SUBSIDIARIES
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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:

	March 31, 2021				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 330,146	-	-	-	-
Notes and trade receivables	1,252,902	-	-	-	-
Other receivables	1,660	-	-	-	-
Refundable deposits— current	118,435	-	-	-	-
Restricted deposit (recorded as other current assets)	18,667	-	-	-	-
Refundable deposits— non-current (recorded as other non-current assets)	<u>56,408</u>	-	-	-	-
	<u>\$1,778,218</u>				
Financial liabilities measured at amortized cost					
Short-term loans	\$ 780,000	-	-	-	-
Short-term notes payable	699,516	-	-	-	-
Payables	476,962	-	-	-	-
Bonds payable (included in current portion)	483,560	-	494,100	-	494,100
Long-term loans (included in current portion)	325,000	-	-	-	-
Lease liabilities	<u>260,508</u>	-	-	-	-
	<u>\$3,025,546</u>				
December 31, 2020					
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Financial assets designated at fair value through profit or loss	<u>\$ 210</u>	-	210	-	210

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

	December 31, 2020				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 158,454	-	-	-	-
Notes and trade receivables	1,077,859	-	-	-	-
Other receivables	1,990	-	-	-	-
Refundable deposits – current	131,606	-	-	-	-
Restricted deposit (recorded as other current assets)	1,337	-	-	-	-
Refundable deposits – non-current (recorded as other non-current assets)	<u>56,251</u>	-	-	-	-
	<u>\$1,427,497</u>				
Financial liabilities measured at amortized cost					
Short-term loans	\$ 380,000	-	-	-	-
Short-term notes payable	649,770	-	-	-	-
Payables	583,908	-	-	-	-
Bonds payable (included in current portion)	481,830	-	493,140	-	493,140
Long-term loans (included in current portion)	343,750	-	-	-	-
Lease liabilities	<u>273,724</u>	-	-	-	-
	<u>\$2,712,982</u>				
March 31, 2020					
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
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)	<u>54,478</u>	-	-	-	-
	<u>\$1,740,631</u>				
Financial liabilities at fair value through profit or loss					
Financial liabilities designated at fair value through profit or loss	<u>\$ 2,480</u>	-	2,480	-	2,480
Financial liabilities measured at amortized cost					
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	<u>274,286</u>	-	-	-	-
	<u>\$3,093,933</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, 2021 and 2020.

(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.

(w) **Financial risk management**

There were no significant changes in the Group's financial risk management and policies as disclosed in note 6(w) of the consolidated financial statements for the year ended December 31, 2020.

(x) **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, 2020. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2020. Please refer to note 6(x) of the consolidated financial statements for the year ended December 31, 2020 for further details.

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(y) **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, 2021 and 2020, please refer to note 6(g).

Reconciliation of liabilities arising from financing activities was as follows:

	<u>January 1, 2021</u>	<u>Cash flows</u>	<u>Non-cash changes</u>	<u>March 31, 2021</u>
Short-term loans	\$ 380,000	400,000	-	780,000
Short-term notes payable	649,770	49,746	-	699,516
Long-term loans (included in current portion)	343,750	(18,750)	-	325,000
Bonds payable (included in current portion)	481,830	-	1,730	483,560
Lease liabilities	<u>273,724</u>	<u>(13,179)</u>	<u>(37)</u>	<u>260,508</u>
Total liabilities from financing activities	<u>\$ 2,129,074</u>	<u>417,817</u>	<u>1,693</u>	<u>2,548,584</u>
	<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>

(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:

	For the three months ended March 31,	
	2021	2020
Other related parties	\$ 43	120

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, 2021, December 31 and March 31, 2020, the receivables from related parties were \$0, \$19 and \$0, respectively, which recorded as trade receivables.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended March 31,	
	2021	2020
Short-term employee benefits	\$ 3,731	3,723
Post-employment benefits	152	2,987
	\$ 3,883	6,710

(8) Pledged assets

The carrying amounts of pledged assets were as follows:

Pledged assets	Object	March 31, 2021	December 31, 2020	March 31, 2020
Refundable deposits – current	Guarantee deposits and customs bond	\$ 118,435	131,606	146,711
Restricted deposit(Note1)	Guarantee deposits	18,667	1,337	-
Refundable deposits – non- current (Note2)	Guarantee deposits	56,408	56,251	54,478
Land	Short-term loans	255,076	255,076	255,076
Buildings and structures	Short-term loans	219,436	222,751	232,786
		\$ 668,022	667,021	689,051

Note 1: recorded as other current assets.

Note 2: recorded as other non-current assets.

(9) Significant Commitments and Contingencies

(a) Unrecognized contractual commitments

As of March 31, 2021, December 31 and March 31, 2020, the maintenance bond and customs bond offered by banks amounted to \$1,925,740, \$1,879,967 and \$1,683,277, respectively.

(b) Contingencies:None.

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AIR ASIA CO., LTD. AND SUBSIDIARIES
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(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,					
		2021			2020		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		139,065	31,183	170,248	132,502	38,938	171,440
Labor and health insurance		14,063	2,833	16,896	12,832	2,931	15,763
Pension		7,552	1,483	9,035	7,329	1,659	8,988
Others		8,523	1,421	9,944	9,993	1,530	11,523
Depreciation		18,783	1,140	19,923 (Note)	18,495	1,909	20,404
Amortization		895	32	927	684	32	716

Note : The covid-19-related rent concessions of \$814 was recognized as deduction of depreciation expenses for the three months ended March 31, 2021.

- (b) Seasonality of operations

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

(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, 2021:

- (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.

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AIR ASIA CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (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(1).
- (x) Significant transactions and business relationship between the parent company and its subsidiaries:None.

(b) Information on investments:

The followings are the information on investees for the three months ended March 31, 2021 (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, 2021			Net income (loss) of investee	Investment income (loss) recognized	Remark
			March 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Air Asia Company Ltd. (USA)	Logistic service	6,699	6,699	10	100 %	3,191	-	-	(Note)

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

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

Shareholder's Name	Shareholding	Shares	Percentage
Taiwan Aerospace Corporation		92,156,523	70.25 %
Taiwan Sugar Corporation		17,800,712	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.

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AIR ASIA CO., LTD. AND SUBSIDIARIES
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(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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