

(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, 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 June 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2021 and 2020, and the statements of changes in equity and cash flows for the six months ended June 30, 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 June 30, 2021 and 2020, and of its consolidated financial performance for the three months and six months ended June 30, 2021 and 2020, and its consolidated cash flows for the six months ended June 30, 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)

August 3, 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 June 30, 2021 and 2020

AIR ASIA CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2021, December 31, 2020, and June 30, 2020

(Expressed in Thousands of New Taiwan Dollars)

Assets		June 30, 2021		December 31, 2020		June 30, 2020		Liabilities and Equity		June 30, 2021		December 31, 2020		June 30, 2020	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note 6(a))	\$ 309,654	7	158,454	4	303,763	6	2100	Short-term loans (notes 6(l) and 8)	\$ 580,000	12	380,000	9	760,000	16
1110	Financial assets at fair value through profit or loss—current (note 6(m))	654	-	210	-	-	-	2110	Short-term notes payable (note 6(k))	749,358	16	649,770	15	529,866	11
1139	Financial assets for hedging—current (notes 6(b))	373	-	-	-	-	-	2120	Financial liabilities at fair value through profit or loss—current (note 6(m))	-	-	-	-	750	-
1140	Contract assets—current (notes 6(t))	863,095	18	730,523	17	520,436	11	2126	Financial liabilities for hedging—current (note 6(b))	64	-	-	-	-	-
1170	Notes and trade receivables, net (notes 6(c)(t) and 7)	1,382,023	29	1,077,859	24	1,189,454	25	2130	Contract liabilities—current (note 6(t))	5,036	-	6,633	-	12,520	-
1200	Other receivables (note 6(d))	1,693	-	13,188	-	13,545	-	2170	Trade payables	375,819	8	281,090	6	316,320	7
130X	Inventories (note 6(e))	962,890	20	1,074,706	25	1,309,385	28	2200	Other payables (note 6(r))	263,571	6	302,818	7	232,805	5
1410	Prepayments (note 6(f))	78,907	2	86,240	2	94,843	2	2250	Provisions—current (note 6(n))	25,329	-	21,432	-	24,994	1
1478	Refundable deposits—current (note 8)	84,216	2	131,606	3	170,454	4	2280	Lease liabilities—current (note 6(o))	20,275	-	29,875	1	22,711	-
1479	Other current assets (note 8)	1,497	-	1,422	-	714	-	2320	Current portion of bonds payable and long-term loans (notes 6(l)(m))	314,917	7	269,953	6	75,000	2
	Total current assets	<u>3,685,002</u>	<u>78</u>	<u>3,274,208</u>	<u>75</u>	<u>3,602,594</u>	<u>76</u>	2399	Other current liabilities	10,835	-	7,517	-	14,643	-
	Non-current assets:								Total current liabilities	<u>2,345,204</u>	<u>49</u>	<u>1,949,088</u>	<u>44</u>	<u>1,989,609</u>	<u>42</u>
1600	Property, plant and equipment (notes 6(g) and 8)	672,613	14	693,231	16	709,631	15		Non-Current liabilities:						
1755	Right-of-use assets (note 6(h))	249,920	6	258,315	6	265,159	6	2530	Bonds payable (note 6(m))	-	-	286,877	7	478,389	10
1780	Intangible assets (note 6(i))	5,848	-	5,148	-	7,596	-	2540	Long-term loans (notes 6(l))	231,250	5	268,750	6	426,250	9
1840	Deferred tax assets	62,157	1	69,409	2	57,394	1	2570	Deferred tax liabilities	455	-	392	-	-	-
1955	Incremental costs of obtaining contracts—non-current (note 6(t))	14,407	-	20,895	-	26,281	-	2580	Lease liabilities—non-current (note 6(o))	235,942	5	243,849	6	250,638	5
1990	Other non-current assets (notes 6(c)(g)(j) and 8)	45,053	1	64,141	1	76,667	2		Total non-current liabilities	<u>467,647</u>	<u>10</u>	<u>799,868</u>	<u>19</u>	<u>1,155,277</u>	<u>24</u>
	Total non-current assets	<u>1,049,998</u>	<u>22</u>	<u>1,111,139</u>	<u>25</u>	<u>1,142,728</u>	<u>24</u>		Total liabilities	<u>2,812,851</u>	<u>59</u>	<u>2,748,956</u>	<u>63</u>	<u>3,144,886</u>	<u>66</u>
									Equity attributable to owners of parent (notes 6(b)(m)(q)(r)):						
									Share capital:						
								3110	Common stock	1,444,657	31	1,311,710	30	1,201,200	25
								3150	Stock dividends to be distributed	57,715	1	-	-	110,510	3
								3200	Capital surplus	235,410	5	162,544	3	162,544	3
									Retained earnings:						
								3310	Legal reserve	123,822	3	119,583	3	119,583	3
								3320	Special reserve	58	-	-	-	-	-
								3350	Unappropriated retained earnings	60,352	1	42,612	1	6,554	-
										<u>184,232</u>	<u>4</u>	<u>162,195</u>	<u>4</u>	<u>126,137</u>	<u>3</u>
								3400	Other equity	135	-	(58)	-	45	-
									Total equity	<u>1,922,149</u>	<u>41</u>	<u>1,636,391</u>	<u>37</u>	<u>1,600,436</u>	<u>34</u>
	Total assets	<u>\$ 4,735,000</u>	<u>100</u>	<u>4,385,347</u>	<u>100</u>	<u>4,745,322</u>	<u>100</u>		Total liabilities and equity	<u>\$ 4,735,000</u>	<u>100</u>	<u>4,385,347</u>	<u>100</u>	<u>4,745,322</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 Statement of Comprehensive Income

For the three months and six months ended June 30, 2021 and 2020

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

	For the three months ended				For the six months ended				
	June 30,				June 30,				
	2021		2020		2021		2020		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue (notes 6(t) and 7)	\$ 1,017,041	100	1,128,896	100	1,916,392	100	1,940,032	100
5000	Operating costs (notes 6(e)(o)(p)(t)(u), 7 and 12)	966,314	95	1,056,356	94	1,816,623	95	1,817,226	94
5900	Gross profit	50,727	5	72,540	6	99,769	5	122,806	6
6000	Operating expenses (notes 6(c)(o)(p)(u), 7 and 12):								
6100	Selling expenses	13,929	1	12,822	1	28,048	1	26,154	1
6200	Administrative expenses (including covid-19-related rent concessions of \$813, \$1,627, \$1,627 and \$1,627)	42,468	4	50,713	4	79,625	4	104,043	5
6450	Expected credit losses (gains)	601	-	(305)	-	1,189	-	582	-
		56,998	5	63,230	5	108,862	5	130,779	6
6900	Operating income (loss)	(6,271)	-	9,310	1	(9,093)	-	(7,973)	-
7000	Non-operating income and expenses (notes 6(m)(o)(v)):								
7100	Interest income	118	-	344	-	230	-	615	-
7010	Other income (including covid-19-related government grants of \$48,334, \$33,697, \$78,893 and \$33,697)	50,254	5	35,002	3	84,088	4	35,644	1
7020	Other gains and losses	1,065	-	(2,058)	-	5,418	-	(4,744)	-
7050	Interest expenses	(6,736)	(1)	(7,182)	(1)	(13,301)	(1)	(14,775)	(1)
		44,701	4	26,106	2	76,435	3	16,740	-
7900	Profit before tax	38,430	4	35,416	3	67,342	3	8,767	-
7950	Less: income tax expenses (note 6(q))	2,376	-	7,425	1	7,265	-	2,437	-
8200	Net profit	36,054	4	27,991	2	60,077	3	6,330	-
8300	Other comprehensive income (notes 6(b)(q)(r)):								
8310	Components of other comprehensive income that will not be reclassified to profit or loss								
8317	Gains on hedging instruments	309	-	-	-	309	-	-	-
8349	Less: income tax related to components of other comprehensive income that will not be reclassified to profit or loss	61	-	-	-	61	-	-	-
		248	-	-	-	248	-	-	-
8360	Components of other comprehensive income that will be reclassified to profit or loss								
8361	Exchange differences on translation of foreign financial statements	(75)	-	(67)	-	(69)	-	(40)	-
8399	Less: income tax related to components of other comprehensive income that will be reclassified to profit or loss	(15)	-	(13)	-	(14)	-	(8)	-
		(60)	-	(54)	-	(55)	-	(32)	-
8300	Other comprehensive income, net	188	-	(54)	-	193	-	(32)	-
8500	Total comprehensive income	\$ 36,242	4	27,937	2	60,270	3	6,298	-
	Profit, attributable to:								
8610	Owners of parent	\$ 36,054	4	27,991	2	60,077	3	6,330	-
	Comprehensive income attributable to:								
8710	Owners of parent	\$ 36,242	4	27,937	2	60,270	3	6,298	-
	Earnings per share (note 6(s)) (in New Taiwan dollars)								
9750	Basic earnings per share	\$ 0.27		0.21		0.45		0.05	
9850	Diluted earnings per share	\$ 0.24		0.18		0.40		0.05	

See accompanying notes to consolidated financial statements.

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AIR ASIA CO., LTD. AND SUBSIDIARIES
Consolidated Statement of Changes in Equity
For the six months ended June 30, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent									
	Retained earnings						Other equity			
	Common stock	Stock dividend to be distributed	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Gains on hedging instruments	Total	Total equity
Balance at January 1, 2020	\$ 1,201,200	-	273,054	118,606	-	10,811	77	-	77	1,603,748
Net profit	-	-	-	-	-	6,330	-	-	-	6,330
Other comprehensive income	-	-	-	-	-	-	(32)	-	(32)	(32)
Total comprehensive income	-	-	-	-	-	6,330	(32)	-	(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	-	45	1,600,436
Balance at January 1, 2021	\$ 1,311,710	-	162,544	119,583	-	42,612	(58)	-	(58)	1,636,391
Net profit	-	-	-	-	-	60,077	-	-	-	60,077
Other comprehensive income	-	-	-	-	-	-	(55)	248	193	193
Total comprehensive income	-	-	-	-	-	60,077	(55)	248	193	60,270
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	-	4,239	-	(4,239)	-	-	-	-
Special reserve	-	-	-	-	58	(58)	-	-	-	-
Cash dividends	-	-	-	-	-	(19,676)	-	-	-	(19,676)
Stock dividends	-	18,364	-	-	-	(18,364)	-	-	-	-
Stock dividends distributed from capital surplus	-	39,351	(39,351)	-	-	-	-	-	-	-
Conversion of convertible bonds	132,947	-	112,199	-	-	-	-	-	-	245,146
Disgorgement	-	-	18	-	-	-	-	-	-	18
Balance at June 30, 2021	\$ 1,444,657	57,715	235,410	123,822	58	60,352	(113)	248	135	1,922,149

See accompanying notes to consolidated financial statements.

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AIR ASIA CO., LTD. AND SUBSIDIARIES

Consolidated Statement of Cash Flows

For the six months ended June 30, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30,	
	2021	2020
Cash flows from (used in) operating activities:		
Profit before tax	\$ 67,342	8,767
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expenses	39,723	39,550
Amortization expenses	2,035	2,555
Expected credit losses	1,189	582
Gains on valuation of financial assets and liabilities at fair value through profit or loss	(538)	(720)
Interest expenses	13,301	14,775
Interest income	(230)	(615)
Property, plant and equipment transferred to operating costs	-	35
Unrealized foreign exchange gains	(296)	(52)
Total adjustments to reconcile profit	55,184	56,110
Changes in operating assets and liabilities:		
Changes in operating assets:		
Increase in contract assets – current	(132,572)	(198,857)
Decrease (increase) in notes and trade receivables, net	(305,448)	19,328
Decrease in other receivables	336	7,368
Decrease in inventories	111,816	204,927
Decrease (increase) in prepayments	644	(60,481)
Decrease (increase) in other current assets	(1,412)	774
Decrease in incremental costs of obtaining contracts – non-current	6,488	6,388
Total changes in operating assets	(320,148)	(20,553)
Changes in operating liabilities:		
Increase (decrease) in contract liabilities – current	(1,597)	7,564
Increase (decrease) in trade payables	94,853	(30,856)
Decrease in other payables	(58,911)	(35,563)
Increase (decrease) in provisions – current	3,897	(6,498)
Increase in other current liabilities	3,318	8,128
Decrease in net defined benefit liability – non-current	-	(11,059)
Total changes in operating liabilities	41,560	(68,284)
Net changes in operating assets and liabilities	(278,588)	(88,837)
Total adjustments	(223,404)	(32,727)
Cash used in operations	(156,062)	(23,960)
Interest received	443	736
Interest paid	(9,942)	(11,409)
Income tax refund (paid)	10,949	(65)
Net cash used in operating activities	(154,612)	(34,698)
Cash flows from (used in) investing activities:		
Decrease in other current assets	1,337	-
Decrease (increase) in refundable deposits	76,942	(41,064)
Acquisition of property, plant and equipment	(11,560)	(26,370)
Acquisition of intangible assets	(2,735)	(3,800)
Decrease (increase) in other non-current assets	(3,775)	4,072
Net cash generated from (used in) investing activities	60,209	(67,162)
Cash flows from (used in) financing activities:		
Increase in short-term loans	200,000	160,000
Increase in short-term notes payable	99,588	80,026
Proceeds from long-term loans	-	220,000
Repayments of long-term loans	(37,500)	(198,750)
Payment of lease liabilities	(16,657)	(347)
Disgorgement	18	-
Net cash generated from financing activities	245,449	260,929
Effects of exchange rate changes on balance of cash held in foreign currencies	154	(1,063)
Net increase in cash and cash equivalents	151,200	158,006
Cash and cash equivalents at the beginning of year	158,454	145,757
Cash and cash equivalents at end of year	\$ 309,654	303,763

See accompanying notes to consolidated financial statements.

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

Notes to the Consolidated Financial Statements

June 30, 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 August 3, 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”

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

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

- (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 January 1, 2022, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”

(Continued)

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

- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(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 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 Its Associate or Joint Venture”

(Continued)

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

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(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		
			June 30, 2021	December 31, 2020	June 30, 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) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency exposures. Derivatives are initially measured at fair value. Any attributable transaction costs thereof are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss in the statement of comprehensive income. When a derivative is designated as, and effective for, a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, whereas when the fair value is negative, it is classified as a financial liability.

The Group designates certain derivative instruments as cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in

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AIR ASIA CO., LTD. AND SUBSIDIARIES
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cash flows of the hedged item and hedging instrument are expected to offset each other.

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under ‘ other equity— gains (losses) on hedging instruments’, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Amounts previously recognized in other comprehensive income and accumulated in other equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in other equity are removed from other equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. Furthermore, if the Group expects that some or all of the loss accumulated in other equity will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group prospectively discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in other equity remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item’s cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss. If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in other equity are immediately reclassified to profit or loss.

(d) Income taxes

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

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period using 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.

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AIR ASIA CO., LTD. AND SUBSIDIARIES
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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 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 were no material differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and the 2020 consolidated financial statements. Please refer to Note 6 of the 2020 annual consolidated financial statements.

(a) Cash and cash equivalents

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Cash and cash on hand	\$ 3,008	3,062	3,162
Demand deposits	306,646	155,392	300,601
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 309,654</u>	<u>158,454</u>	<u>303,763</u>

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

(b) Financial instruments used for hedging

The details of financial assets and liabilities for hedging were as follows:

Cash flow hedge:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Financial assets for hedging— current:			
Forward exchange contracts	\$ <u>373</u>	<u>-</u>	<u>-</u>
Financial liabilities for hedging— current:			
Forward exchange contracts	\$ <u>64</u>	<u>-</u>	<u>-</u>

1. Cash flow hedge— forward exchange contracts

The Group's strategy is to use the forward exchange contracts to hedge its estimated foreign currency exposure in respect of forecasted purchases transactions. When actual purchase occurs, the amount accumulated in gains (losses) on the effective portion of cash flow hedge under other equity interest will be reclassified to non-current assets in the same period. The terms of forward foreign exchange contract are coordinated with the hedged item. The unexpired forward exchange contracts held by the Group were as follows:

	<u>June 30, 2021</u>			
	<u>Contract Amount (in thousands)</u>	<u>Currency</u>	<u>Maturity dates</u>	<u>Average strike price</u>
Forward exchange purchased	USD\$ <u>3,550</u>	TWD to USD	2021.7.14~2021.12.10	USD27.529~27.92

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There was no such transaction as of December 31 and June 30, 2020.

2. The details arising from cash flow hedges for the three months and six months ended June 30, 2021, were as follows:

<u>Account Item</u>	<u>April to June, 2021</u>	<u>January to June, 2021</u>
Recognized in other comprehensive income during the period	\$ <u>248</u>	<u>248</u>

There was no such transaction for the three months and six months ended June 30, 2020.

There was no ineffective portion of unsettled cash flow hedge recognized in profit or loss.

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Notes receivable	\$ 68	-	-
Trade receivables (including from related parties)	1,398,855	1,093,570	1,205,673
Less: Loss allowance	<u>(16,900)</u>	<u>(15,711)</u>	<u>(16,219)</u>
Subtotal	<u>1,382,023</u>	<u>1,077,859</u>	<u>1,189,454</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>1,382,023</u>	<u>1,077,859</u>	<u>1,189,454</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:

	<u>June 30, 2021</u>		
	<u>Gross carrying amount</u>	<u>Weighted-average loss rate</u>	<u>Loss allowance provision</u>
<u>Group 1</u>			
Current	\$ <u>1,366,061</u>	0.00%	<u>-</u>

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AIR ASIA CO., LTD. AND SUBSIDIARIES
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	June 30, 2021		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
<u>Group 2</u>			
Current	\$ 15,931	3.12%	497
1 to 90 days past due	31	27.16%	8
91 to 180 days past due	1,206	58.10%	701
181 to 270 days past due	-	79.71%	-
271 to 365 days past due	-	100.00%	-
More than 365 days past due	44,335	100.00%	44,335
	<u>\$ 61,503</u>		<u>45,541</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>
		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>
		June 30, 2020	
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
<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	32,061	100.00%	32,061
	<u>\$ 89,900</u>		<u>48,232</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,	
	2021	2020
Balance at January 1	\$ 44,352	47,650
Impairment losses recognized	1,189	582
Balance at June 30	\$ 45,541	48,232

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

(d) **Other receivables**

	June 30, 2021	December 31, 2020	June 30, 2020
Other receivables—income taxes refund	\$ 252	11,198	11,145
Others	1,441	1,990	2,400
Less: Loss allowance	-	-	-
	\$ 1,693	13,188	13,545

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

(e) **Inventories**

	June 30, 2021	December 31, 2020	June 30, 2020
Repair materials and others	\$ 716,628	827,474	1,068,720
Finished goods	246,262	247,232	240,665
	\$ 962,890	1,074,706	1,309,385

The details of the cost of sales were as follows:

	April to June, 2021	April to June, 2020	January to June, 2021	January to June, 2020
Inventory that has been sold and service costs	\$ 910,575	1,010,535	1,685,810	1,751,248
Unallocated production overheads	41,771	33,306	88,512	71,145
Write-down of inventories (reversal of write-downs)	13,968	10,925	42,321	(7,852)
Write-off for inventories scrapped	-	1,594	-	2,693
Gains on physical inventory	-	-	(20)	-
Revenue from sale of scraps	-	(4)	-	(8)
	\$ 966,314	1,056,356	1,816,623	1,817,226

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

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Notes to the Consolidated Financial Statements

(f) **Prepayments**

The details of prepayments were as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Prepayment for materials	\$ 45,044	59,744	72,294
Prepayment of bank performance guarantee fees	5,440	8,978	1,557
Prepayment – other	28,423	17,518	20,992
	\$ 78,907	86,240	94,843

(g) **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	-	1,210	8,504	1,846	-	-	11,560
Disposals	-	-	(85)	(84)	-	-	(169)
Balance at June 30, 2021	\$ 255,076	659,756	672,447	54,014	93,530	7,550	1,742,373
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)
Balance at June 30, 2020	\$ 255,076	658,546	653,069	51,335	93,531	7,520	1,719,077
Accumulated depreciation and impairment loss:							
Balance at January 1, 2021	\$ -	405,240	533,200	44,687	54,624	-	1,037,751
Depreciation	-	10,040	17,350	1,873	2,915	-	32,178
Disposals	-	-	(85)	(84)	-	-	(169)
Balance at June 30, 2021	\$ -	415,280	550,465	46,476	57,539	-	1,069,760
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	\$ -	394,885	519,817	43,098	51,646	-	1,009,446
Carrying value:							
Balance at January 1, 2021	\$ 255,076	253,306	130,828	7,565	38,906	7,550	693,231
Balance at June 30, 2021	\$ 255,076	244,476	121,982	7,538	35,991	7,550	672,613
Balance at January 1, 2020	\$ 255,076	273,606	137,554	9,384	28,031	68	703,719
Balance at June 30, 2020	\$ 255,076	263,661	133,252	8,237	41,885	7,520	709,631

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

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

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(h) **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, 2021	\$ 281,495	1,628	603	7,601	291,327
Additions	-	-	-	777	777
Disposals	-	-	-	(557)	(557)
Balance at June 30, 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	-	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>
Accumulated depreciation and impairment loss:					
Balance at January 1, 2021	\$ 29,631	520	369	2,492	33,012
Depreciation	7,408	342	100	1,322	9,172
Disposals	-	-	-	(557)	(557)
Balance at June 30, 2021	<u>\$ 37,039</u>	<u>862</u>	<u>469</u>	<u>3,257</u>	<u>41,627</u>
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>
Carrying value:					
Balance at June 30, 2021	<u>\$ 244,456</u>	<u>766</u>	<u>134</u>	<u>4,564</u>	<u>249,920</u>
Balance at June 30, 2020	<u>\$ 259,272</u>	<u>840</u>	<u>335</u>	<u>4,712</u>	<u>265,159</u>

(i) **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, 2021	<u>\$ 4,373</u>	<u>775</u>	<u>5,148</u>
Balance at June 30, 2021	<u>\$ 5,218</u>	<u>630</u>	<u>5,848</u>
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>

There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the six months ended June 30, 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.

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

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

	June 30, 2021	December 31, 2020	June 30, 2020
Prepayment for equipment	\$ 1,869	697	4,752
Refundable deposits – non-current	26,699	56,251	62,878
Other non-current assets – other	16,485	7,193	9,037
Overdue receivables	-	-	-
	\$ 45,053	64,141	76,667

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

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

	June 30, 2021	December 31, 2020	June 30, 2020
Commercial paper payable	\$ 749,358	649,770	529,866

For the six months ended June 30, 2021 and 2020, the Group had the additional short-term notes payable amounting to \$549,547 and \$559,942, respectively, with an interest rate of 0.938%~1% and 0.97%~1%, respectively, maturing in July to August, 2021 and May to July, 2020, respectively.

For the six months ended June 30, 2021 and 2020, the repayment amounted to \$449,959 and \$479,916, respectively.

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

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

	June 30, 2021	December 31, 2020	June 30, 2020
Unsecured bank loans – NTD	\$ 580,000	380,000	760,000
Long-term unsecured bank loans – NTD	306,250	343,750	501,250
Total	\$ 886,250	723,750	1,261,250
Current	\$ 655,000	455,000	835,000
Non-current	231,250	268,750	426,250
Total	\$ 886,250	723,750	1,261,250
Unused short-term loans credit lines	\$ 560,000	760,000	380,000
Unused long-term loans credit lines	\$ 200,000	200,000	130,000
Range of short-term loans interest rates	0.505%~1.0313%	0.255%~0.885%	0.25%~1%
Range of long-term loans interest rates	1.25%~1.30%	1.25%~1.30%	1.25%~1.30%
Long-term loans due year	2022~2024	2022~2024	2021~2024

For the six months ended June 30, 2021, the Group had not the additional long-term loans. For the six months ended June 30, 2020, the Group had the additional long-term loans amounting to \$220,000, with an interest rate of 1.25%~1.30%, maturing in July, 2021 to March, 2024.

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For the six months ended June 30, 2021 and 2020, the repayment amounted to \$37,500 and \$198,750, respectively.

Assets pledged are disclosed in note 8.

(m) **Bonds payable**

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Total convertible corporate bonds issued	\$ 500,000	500,000	500,000
Cumulative converted amount	(252,600)	-	-
Unamortized discounted corporate bonds payable	(7,483)	(18,170)	(21,611)
Corporate bonds issued balance at year-end	<u>\$ 239,917</u>	<u>481,830</u>	<u>478,389</u>
Current	\$ 239,917	194,953	-
Non-current	-	286,877	478,389
Total	<u>\$ 239,917</u>	<u>481,830</u>	<u>478,389</u>
Embedded derivative – put and redeem options, included in financial liabilities (assets) at fair value through profit or loss	<u>\$ (654)</u>	<u>(210)</u>	<u>750</u>
Equity component – conversion options, included in capital surplus– conversion of convertible bonds	<u>\$ 11,232</u>	<u>22,358</u>	<u>22,358</u>
	<u>April to June, 2021</u>	<u>April to June, 2020</u>	<u>January to June, 2021</u>
Embedded derivative – put and redeem options, included in gains on financial assets and liabilities at fair value through profit or loss	<u>\$ 748</u>	<u>1,730</u>	<u>538</u>
Interest expense (effective interest rate of 1.28%~1.69%)	<u>\$ 1,597</u>	<u>1,712</u>	<u>3,417</u>

Except for the following disclosures, there were no significant issues, repurchases and repayments of bonds payable for the six months ended June 30, 2021 and 2020. Please refer to Note 6(l) of the 2020 annual consolidated financial statements for other related information.

For the six months ended June 30, 2021, the relevant information about the convertible bonds issued by the Group were converted into common stock, please refer to note 6(r).

(n) **Provisions**

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Warranties	<u>\$ 25,329</u>	<u>21,432</u>	<u>24,994</u>

There were no significant changes in provisions for the six months ended June 30, 2021 and 2020. Please refer to Note 6(m) of the 2020 annual consolidated financial statements for other related information.

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(o) **Lease liabilities**

The carrying value of lease liabilities was as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Current	\$ 20,275	29,875	22,711
Non-current	235,942	243,849	250,638
	<u>\$ 256,217</u>	<u>273,724</u>	<u>273,349</u>

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

The amounts recognized in profit or loss were as follows:

	<u>April to June, 2021</u>	<u>April to June, 2020</u>	<u>January to June, 2021</u>	<u>January to June, 2020</u>
Interest on lease liabilities	\$ 643	677	1,296	1,356
Expenses relating to short-term leases	\$ 614	766	1,460	1,595
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ 32	35	65	75
Covid-19-related rent concessions	\$ 813	1,627	1,627	1,627

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>2021</u>	<u>2020</u>
Total cash outflow for leases	\$ 19,478	3,373

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.

(p) **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.

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

	<u>April to June, 2021</u>	<u>April to June, 2020</u>	<u>January to June, 2021</u>	<u>January to June, 2020</u>
Operating cost	\$ -	-	-	36
Administration expenses	-	-	-	13
Total	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>49</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, 2021 and 2020 were as follows:

	<u>April to June, 2021</u>	<u>April to June, 2020</u>	<u>January to June, 2021</u>	<u>January to June, 2020</u>
Operating cost	\$ 7,465	7,371	15,017	14,664
Selling expenses	480	504	967	1,029
Administration expenses	1,312	1,109	2,308	2,230
Total	<u>\$ 9,257</u>	<u>8,984</u>	<u>18,292</u>	<u>17,923</u>

(q) **Income taxes**

1. The components of income tax expenses were as follows:

	<u>April to June, 2021</u>	<u>April to June, 2020</u>	<u>January to June, 2021</u>	<u>January to June, 2020</u>
Current tax expenses				
Adjustment for prior periods	\$ -	-	(1)	-
Deferred tax expenses				
Origination and reversal of temporary differences	2,376	7,425	7,266	2,437
Income tax expenses	<u>\$ 2,376</u>	<u>7,425</u>	<u>7,265</u>	<u>2,437</u>

The amounts of income tax expenses (benefit) recognized in other comprehensive income were as follows:

	<u>April to June, 2021</u>	<u>April to June, 2020</u>	<u>January to June, 2021</u>	<u>January to June, 2020</u>
Items that will not be reclassified subsequently to profit or loss:				
Gains on hedging instruments	<u>\$ 61</u>	<u>-</u>	<u>61</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign financial statement	<u>\$ (15)</u>	<u>(13)</u>	<u>(14)</u>	<u>(8)</u>

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

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AIR ASIA CO., LTD. AND SUBSIDIARIES
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(r) **Capital and other equity**

As of June 30, 2021, December 31 and June 30, 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 in capital and other equity for the periods from January 1 to June 30, 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. Common stock

On June 20, 2021, the electronic voting by shareholders resolved to issue 5,772 thousand new shares by its earnings and capital surplus in the amount of \$18,364 and \$39,351, respectively, 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 as of the reporting date, so it was recorded as the 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 as of the reporting date, so it was recorded as the stock dividends to be distributed.

For the six months ended June 30, 2021, the convertible bonds issued by the Company amounting to \$132,947, were converted into 13,295 thousand shares of common stock. As of June 30, 2021, the related registration procedures have not been completed.

2. Capital surplus

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

	June 30, 2021	December 31, 2020	June 30, 2020
Additional paid-in capital	\$ 124,097	40,123	40,123
Gain on disposal of assets	100,063	100,063	100,063
Conversion of convertible bonds	11,232	22,358	22,358
Other — disgorgement	18	-	-
	<u>\$ 235,410</u>	<u>162,544</u>	<u>162,544</u>

The electronic voting by shareholders resolved on June 20, 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).

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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 amount of cash dividends (recorded as other payables) of appropriations of earnings for 2020 had been approved in the board meeting held on February 23, 2021. The amount of shares dividends of appropriations of earnings for 2020 had been resolved through the electronic voting by shareholders on June 20, 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>

4. Other equity (net of tax)

	Exchange differences on translation of foreign financial statements	Gains on hedging instruments	Total
Balance at January 1, 2021	\$ (58)	-	(58)
Exchange differences on foreign operations	(55)	-	(55)
Changes in fair value of hedging instrument	-	248	248
Balance at June 30, 2021	<u>\$ (113)</u>	<u>248</u>	<u>135</u>
Balance at January 1, 2020	\$ 77	-	77
Exchange differences on foreign operations	(32)	-	(32)
Balance at June 30, 2020	<u>\$ 45</u>	<u>-</u>	<u>45</u>

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

(s) **Earnings per share**

For the three months and six months ended June 30, 2021 and 2020, the Company's earnings per share were calculated as follows:

	Unit of share: thousand			
	April to June, 2021	April to June, 2020	January to June, 2021	January to June, 2020
Basic earnings per share				
Profit attributable to common shareholders of the Company	\$ <u>36,054</u>	<u>27,991</u>	<u>60,077</u>	<u>6,330</u>
Weighted-average number of shares	<u>134,240</u>	<u>131,171</u>	<u>132,714</u>	<u>131,171</u>
	<u>\$ 0.27</u>	<u>0.21</u>	<u>0.45</u>	<u>0.05</u>
Diluted earnings per share				
Profit attributable to common shareholders of the Company	\$ 36,054	27,991	60,077	6,330
Effect of dilutive ordinary shares:				
Convertible bonds	<u>999</u>	<u>327</u>	<u>2,897</u>	<u>-</u>
Profit attributable to common shareholders of the Company (diluted)	<u>\$ 37,053</u>	<u>28,318</u>	<u>62,974</u>	<u>6,330</u>
Weighted-average number of shares	134,240	131,171	132,714	131,171
Effect of dilutive ordinary shares:				
Remuneration to employees	60	11	72	29
Convertible bonds	<u>23,247</u>	<u>23,969</u>	<u>24,773</u>	<u>-</u>
Weighted-average number of shares (diluted)	<u>157,547</u>	<u>155,151</u>	<u>157,559</u>	<u>131,200</u>
	<u>\$ 0.24</u>	<u>0.18</u>	<u>0.40</u>	<u>0.05</u>

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

On June 20, 2021, the electronic voting by shareholders resolved to issue 5,772 thousand new shares by its earnings and capital surplus in the amount of \$18,364 and \$39,351, respectively. 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, 2021	January to June, 2020
Basic earnings per share	<u>\$ 0.43</u>	<u>0.05</u>
Diluted earnings per share	<u>\$ 0.39</u>	<u>0.05</u>

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

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

1. Disaggregation of revenue

	April to June, 2021	April to June, 2020	January to June, 2021	January to June, 2020
<u>Primary geographical markets</u>				
Taiwan	\$ 935,105	1,009,093	1,746,950	1,751,081
Asia	62,363	42,722	113,920	53,270
Other	19,573	77,081	55,522	135,681
	<u>\$ 1,017,041</u>	<u>1,128,896</u>	<u>1,916,392</u>	<u>1,940,032</u>
<u>Major services and timing of revenue recognition</u>				
At a point in time				
Aircraft maintenance	\$ 123,659	110,430	218,324	190,737
Repair supply pricing	35,611	93,832	77,412	122,143
Outsourced repair and air material transaction	322,099	184,819	572,836	361,025
Components maintenance	139,836	404,890	167,476	747,205
Subtotal	<u>621,205</u>	<u>793,971</u>	<u>1,036,048</u>	<u>1,421,110</u>
Over time				
Aircraft maintenance	69,130	117,770	149,989	234,522
Fleet maintenance	102,999	38,235	208,862	105,150
Components maintenance	<u>223,707</u>	<u>178,920</u>	<u>521,493</u>	<u>179,250</u>
Subtotal	<u>395,836</u>	<u>334,925</u>	<u>880,344</u>	<u>518,922</u>
Total	<u>\$ 1,017,041</u>	<u>1,128,896</u>	<u>1,916,392</u>	<u>1,940,032</u>

2. Contract balances

	June 30, 2021	December 31, 2020	June 30, 2020
Notes, trade and overdue receivables	\$ 1,427,564	1,122,211	1,237,686
Less: Loss allowance	<u>(45,541)</u>	<u>(44,352)</u>	<u>(48,232)</u>
Total	<u>\$ 1,382,023</u>	<u>1,077,859</u>	<u>1,189,454</u>
Contract assets – Maintenance service	<u>\$ 863,095</u>	<u>730,523</u>	<u>520,436</u>
Contract liabilities – Maintenance service	<u>\$ 5,036</u>	<u>6,633</u>	<u>12,520</u>

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

The amount of revenue recognized for the six months ended June 30, 2021 and 2020 that were included in the contract liability balance at the beginning of the period were \$5,276 and \$3,352, 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

	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>June 30,</u> <u>2020</u>
Incremental costs of obtaining contracts— non-current	\$ 59,317	59,317	58,315
Less: accumulated amortization	<u>(44,910)</u>	<u>(38,422)</u>	<u>(32,034)</u>
Total	<u>\$ 14,407</u>	<u>20,895</u>	<u>26,281</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, \$3,194, \$6,488 and \$6,388 were recognized for the three months and six months ended June 30, 2021 and 2020.

(u) **Remunerations to employees**

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 \$771, \$179, \$1,381 and \$179 for the three-months and six-months ended June 30, 2021 and 2020, 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 years 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.

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

1. Other income

	<u>April to</u> <u>June, 2021</u>	<u>April to</u> <u>June, 2020</u>	<u>January to</u> <u>June, 2021</u>	<u>January to</u> <u>June, 2020</u>
Government grants	\$ 48,334	33,697	78,893	33,697
Rent income	347	348	695	695
Other income—others	<u>1,573</u>	<u>957</u>	<u>4,500</u>	<u>1,252</u>
	<u>\$ 50,254</u>	<u>35,002</u>	<u>84,088</u>	<u>35,644</u>

The Group received a wage subsidy and working capital subsidy of \$78,893 and \$33,697 for the six months ended June 30, 2021 and 2020, respectively. 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 and working

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AIR ASIA CO., LTD. AND SUBSIDIARIES
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capital subsidy relief measure. This grant was recognized in profit or loss under other income. As of June 30, 2021 and 2020, the receivables related to this grant was fully received.

2. Other gains and losses

	<u>April to June, 2021</u>	<u>April to June, 2020</u>	<u>January to June, 2021</u>	<u>January to June, 2020</u>
Foreign exchange gains, net	\$ 2,761	2,584	9,686	3,199
Net gains on valuation of financial assets and liabilities at fair value through profit or loss	748	1,730	538	720
Handing fees	(2,432)	(2,033)	(4,794)	(4,139)
Others	(12)	(4,339)	(12)	(4,524)
	<u>\$ 1,065</u>	<u>(2,058)</u>	<u>5,418</u>	<u>(4,744)</u>

(w) **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 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 June 30, 2021, December 31 and June 30, 2020, a few customers of the Group accounted for 88%, 76% and 82%, 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(c).

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, 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
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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>
June 30, 2021						
Non-derivative financial liabilities						
With floating interest rates	\$ 886,250	894,319	661,188	176,515	56,616	-
With fixed interest rates	989,275	999,834	999,834	-	-	-
Non-interest-bearing liabilities						
Lease liabilities	639,390	639,390	639,390	-	-	-
Lease liabilities	256,217	281,760	27,315	18,177	49,120	187,148
Derivative financial liabilities						
Forward exchange contracts:						
Outflow	64	30,712	30,712	-	-	-
Inflow	-	(30,648)	(30,648)	-	-	-
	<u>\$ 2,771,196</u>	<u>2,815,367</u>	<u>2,327,791</u>	<u>194,692</u>	<u>105,736</u>	<u>187,148</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						
Lease liabilities	583,908	583,908	583,908	-	-	-
Lease liabilities	273,724	299,235	35,547	18,806	49,598	195,284
	<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>
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	-	-	-
Lease liabilities	273,349	298,656	26,946	18,301	49,988	203,421
Derivative financial liabilities						
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>

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
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3. Market risk

(i) Currency risk

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

	June 30, 2021			December 31, 2020			June 30, 2020		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 1,859	27.86	51,786	1,963	28.48	55,897	4,736	29.63	140,335
<u>Non-monetary items</u>									
USD	3,550	27.86	98,903	-	-	-	-	-	-
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	7,852	27.86	218,755	6,808	28.48	193,897	4,494	29.63	133,157

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 after tax will increase or decrease by \$1,336 and \$57, respectively, and the equity will increase or decrease by \$2 and \$0 due to cash flow hedges, 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, 2021		January to June, 2020	
	Exchange gain (loss)	Average rate	Exchange gain (loss)	Average rate
NTD	\$ <u>9,686</u>	-	<u>3,199</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 would have decreased or increased by \$3,545 and \$5,045 for the six months ended June 30, 2021 and 2020, respectively, with all other variable factors remaining constant. This is mainly due to the

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AIR ASIA CO., LTD. AND SUBSIDIARIES
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	Carrying amount	December 31, 2020			
		Fair Value			
		Level 1	Level 2	Level 3	Total
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)	56,251	-	-	-	-
	<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	273,724	-	-	-	-
	<u>\$2,712,982</u>				
June 30, 2020					
	Carrying amount	Fair Value			
		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	2,400	-	-	-	-
Refundable deposits— current	170,454	-	-	-	-
Refundable deposits— non-current (recorded as other non-current assets)	62,878	-	-	-	-
	<u>\$1,728,949</u>				
Financial liabilities at fair value through profit or loss					
Financial liabilities designated at fair value through profit or loss	\$ 750	-	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	273,349	-	-	-	-
	<u>\$3,091,979</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.

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AIR ASIA CO., LTD. AND SUBSIDIARIES
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- 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, 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. Fair value of forward currency is usually determined by the forward currency exchange rate.

(x) 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.

(y) 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.

(z) Investing and financing activities not affecting the current cash flow

The Group acquired right-of-use assets by leases in the six months ended June 30, 2021 and 2020, please refer to note 6(h).

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The convertible bonds issued by the Group were converted into common stock in the six months ended June 30, 2021 and 2020, please refer to note 6(r).

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>June 30, 2021</u>
Short-term loans	\$ 380,000	200,000	-	580,000
Short-term notes payable	649,770	99,588	-	749,358
Long-term loans (included in current portion)	343,750	(37,500)	-	306,250
Bonds payable (included in current portion)	481,830	-	(241,913)	239,917
Lease liabilities	<u>273,724</u>	<u>(16,657)</u>	<u>(850)</u>	<u>256,217</u>
Total liabilities from financing activities	<u>\$ 2,129,074</u>	<u>245,431</u>	<u>(242,763)</u>	<u>2,131,742</u>
	<u>January 1, 2020</u>	<u>Cash flows</u>	<u>Non-cash changes</u>	<u>June 30, 2020</u>
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>

(7) Related-parties transactions:

(a) Names and relationships 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:

	<u>April to June, 2021</u>	<u>April to June, 2020</u>	<u>January to June, 2021</u>	<u>January to June, 2020</u>
Other related parties	<u>\$ 64</u>	<u>40</u>	<u>107</u>	<u>160</u>

The sales price to the above related parties was determined through mutual agreement based on the market rates. The credit terms ranged from 15 to 60 days, the collection terms for related parties

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approximated the market terms. As of June 30, 2021, December 31 and June 30, 2020, the receivables from related parties were \$32, \$19 and \$0, respectively, which recorded as trade receivables.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<u>April to June, 2021</u>	<u>April to June, 2020</u>	<u>January to June, 2021</u>	<u>January to June, 2020</u>
Short-term employee benefits	\$ 3,727	3,729	7,458	7,452
Post-employment benefits	152	152	304	3,139
	<u>\$ 3,879</u>	<u>3,881</u>	<u>7,762</u>	<u>10,591</u>

(8) Pledged assets

The carrying amounts of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Refundable deposits – current	Guarantee deposits and customs bond	\$ 84,216	131,606	170,454
Restricted deposit (Note1)	Guarantee deposits	-	1,337	-
Refundable deposits – non-current (Note2)	Guarantee deposits	26,699	56,251	62,878
Land	Short-term loans	255,076	255,076	255,076
Buildings and structures	Short-term loans	216,136	222,751	229,448
		<u>\$ 582,127</u>	<u>667,021</u>	<u>717,856</u>

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 June 30, 2021, December 31 and June 30, 2020, the maintenance bond and customs bond offered by banks amounted to \$1,924,218, \$1,879,967 and \$1,768,752, respectively.

(b) Contingencies:None.

(10) Losses Due to Major Disasters:None.

(11) Subsequent Events:None.

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(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 June 30,					
		2021			2020		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		139,343	34,940	174,283	132,693	34,365	167,058
Labor and health insurance		13,754	2,753	16,507	12,849	2,763	15,612
Pension		7,465	1,792	9,257	7,371	1,613	8,984
Others		6,898	1,420	8,318	8,029	1,622	9,651
Depreciation		18,652	1,148	19,800 (Note)	18,759	387	19,146 (Note)
Amortization		972	136	1,108	1,806	33	1,839

By item	By function	For the six months ended June 30,					
		2021			2020		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		278,408	66,123	344,531	265,195	73,303	338,498
Labor and health insurance		27,817	5,586	33,403	25,681	5,694	31,375
Pension		15,017	3,275	18,292	14,700	3,272	17,972
Others		15,421	2,841	18,262	18,022	3,152	21,174
Depreciation		37,435	2,288	39,723 (Note)	37,254	2,296	39,550 (Note)
Amortization		1,867	168	2,035	2,490	65	2,555

Note : The covid-19-related rent concessions of \$813, \$1,627, \$1,627 and \$1,627 were recognized as deduction of depreciation expenses for the three months and six months ended June 30, 2021 and 2020, respectively.

- (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 six months ended June 30, 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.

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- (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(b)(m).
- (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 six months ended June 30, 2021 (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, 2021			Net income (loss) of investee	Investment income (loss) recognized	Remark
			June 30, 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 %	3,072	(44)	(44)	(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	64.57 %
Taiwan Sugar Corporation		17,800,712	12.47 %

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

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disclosed in the financial statement due to different calculation basis.

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

(14) Segment information:

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

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