

**(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 Nine Months Ended September 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 September 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2021 and 2020, and the statements of changes in equity and cash flows for the nine months ended September 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 September 30, 2021 and 2020, and of its consolidated financial performance for the three months and nine months ended September 30, 2021 and 2020, and its consolidated cash flows for the nine months ended September 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)  
November 2, 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 September 30, 2021 and 2020**

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

**Consolidated Balance Sheets**

**September 30, 2021, December 31, 2020, and September 30, 2020**

(Expressed in Thousands of New Taiwan Dollars)

Assets		September 30, 2021		December 31, 2020		September 30, 2020		Liabilities and Equity		September 30, 2021		December 31, 2020		September 30, 2020	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
<b>Current assets:</b>								<b>Current liabilities:</b>							
1100	Cash and cash equivalents (note 6(a))	\$ 248,340	5	158,454	4	377,800	8	2100	Short-term loans (notes 6(l) and 8)	\$ 530,000	11	380,000	9	730,000	15
1110	Financial assets at fair value through profit or loss—current (note 6(m))	285	-	210	-	-	-	2110	Short-term notes payable (note 6(k))	799,427	17	649,770	15	729,434	15
1139	Financial assets for hedging—current (notes 6(b))	536	-	-	-	-	-	2120	Financial liabilities at fair value through profit or loss—current (note 6(m))	-	-	-	-	600	-
1140	Contract assets—current (notes 6(t))	926,559	20	730,523	17	695,221	15	2126	Financial liabilities for hedging—current (note 6(b))	196	-	-	-	-	-
1170	Notes and trade receivables, net (notes 6(c)(t) and 7)	1,396,137	30	1,077,859	24	1,256,195	26	2130	Contract liabilities—current (note 6(t))	10,702	-	6,633	-	2,701	-
1200	Other receivables (note 6(d))	2,327	-	13,188	-	14,205	-	2170	Trade payables	259,074	6	281,090	6	258,620	5
130X	Inventories (note 6(b)(e))	961,998	20	1,074,706	25	1,064,948	22	2200	Other payables (note 6(r))	272,027	6	302,818	7	265,726	6
1410	Prepayments (note 6(f))	52,126	1	86,240	2	90,212	2	2250	Provisions—current (note 6(n))	27,562	-	21,432	-	29,243	1
1478	Refundable deposits—current (note 8)	79,392	2	131,606	3	141,756	3	2280	Lease liabilities—current (note 6(o))	20,418	-	29,875	1	26,522	1
1479	Other current assets (note 8)	1,497	-	1,422	-	724	-	2320	Current portion of bonds payable and long-term loans (notes 6(l)(m))	314,610	7	269,953	6	269,137	6
	<b>Total current assets</b>	<u>3,669,197</u>	<u>78</u>	<u>3,274,208</u>	<u>75</u>	<u>3,641,061</u>	<u>76</u>	2399	Other current liabilities	11,685	-	7,517	-	11,020	-
<b>Non-current assets:</b>									<b>Total current liabilities</b>	<u>2,245,701</u>	<u>47</u>	<u>1,949,088</u>	<u>44</u>	<u>2,323,003</u>	<u>49</u>
1600	Property, plant and equipment (notes 6(g) and 8)	665,278	14	693,231	16	697,530	15	<b>Non-Current liabilities:</b>							
1755	Right-of-use assets (note 6(h))	246,444	5	258,315	6	262,147	5	2530	Bonds payable (note 6(m))	-	-	286,877	7	285,969	6
1780	Intangible assets (note 6(i))	21,809	-	5,148	-	6,334	-	2540	Long-term loans (notes 6(l))	312,500	7	268,750	6	287,500	6
1840	Deferred tax assets	63,958	2	69,409	2	54,904	1	2570	Deferred tax liabilities	461	-	392	-	-	-
1955	Incremental costs of obtaining contracts—non-current (note 6(t))	11,163	-	20,895	-	24,089	1	2580	Lease liabilities—non-current (note 6(o))	232,507	5	243,849	6	247,467	5
1990	Other non-current assets (notes 6(c)(g)(j) and 8)	36,325	1	64,141	1	84,873	2		<b>Total non-current liabilities</b>	<u>545,468</u>	<u>12</u>	<u>799,868</u>	<u>19</u>	<u>820,936</u>	<u>17</u>
	<b>Total non-current assets</b>	<u>1,044,977</u>	<u>22</u>	<u>1,111,139</u>	<u>25</u>	<u>1,129,877</u>	<u>24</u>		<b>Total liabilities</b>	<u>2,791,169</u>	<u>59</u>	<u>2,748,956</u>	<u>63</u>	<u>3,143,939</u>	<u>66</u>
<b>Total assets</b>		<u>\$ 4,714,174</u>	<u>100</u>	<u>4,385,347</u>	<u>100</u>	<u>4,770,938</u>	<u>100</u>	<b>Equity attributable to owners of parent (notes 6(b)(m)(q)(r)):</b>							
								Share capital:							
								3110	Common stock	1,445,289	31	1,311,710	30	1,201,200	25
								3150	Stock dividends to be distributed	57,715	1	-	-	110,510	2
								3200	Capital surplus	235,931	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	60,032	1	42,612	1	33,165	1
										183,912	4	162,195	4	152,748	4
								3400	Other equity	158	-	(58)	-	(3)	-
									<b>Total equity</b>	<u>1,923,005</u>	<u>41</u>	<u>1,636,391</u>	<u>37</u>	<u>1,626,999</u>	<u>34</u>
								<b>Total liabilities and equity</b>		<u>\$ 4,714,174</u>	<u>100</u>	<u>4,385,347</u>	<u>100</u>	<u>4,770,938</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 nine months ended September 30, 2021 and 2020**

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

	For the three months ended				For the nine months ended				
	September 30,				September 30,				
	2021		2020		2021		2020		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	<b>Operating revenue (notes 6(t) and 7)</b>	\$ 955,608	100	1,098,479	100	2,872,000	100	3,038,511	100
5000	<b>Operating costs (notes 6(e)(o)(p)(t)(u), 7 and 12)</b>	900,461	94	1,034,654	94	2,717,084	95	2,851,880	94
5900	<b>Gross profit</b>	55,147	6	63,825	6	154,916	5	186,631	6
6000	<b>Operating expenses (notes 6(c)(o)(p)(u), 7 and 12):</b>								
6100	Selling expenses	13,882	1	13,397	1	41,930	1	39,551	1
6200	Administrative expenses (including covid-19-related rent concessions of \$814, \$814, \$2,441 and \$2,441)	42,948	5	37,470	4	122,573	4	141,513	5
6450	Expected credit losses	564	-	3,485	-	1,753	-	4,067	-
		57,394	6	54,352	5	166,256	5	185,131	6
6900	<b>Operating income (loss)</b>	(2,247)	-	9,473	1	(11,340)	-	1,500	-
7000	<b>Non-operating income and expenses (notes 6(m)(o)(v)):</b>								
7100	Interest income	(2)	-	260	-	228	-	875	-
7010	Other income (including covid-19-related government grants of \$0, \$19,357, \$78,893 and \$53,054)	7,709	1	26,421	2	91,797	3	62,065	2
7020	Other gains and losses	(1,948)	-	288	-	3,470	-	(4,456)	-
7050	Interest expenses	(5,633)	(1)	(7,329)	(1)	(18,934)	(1)	(22,104)	(1)
		126	-	19,640	1	76,561	2	36,380	1
7900	<b>Profit (loss) before tax</b>	(2,121)	-	29,113	2	65,221	2	37,880	1
7950	<b>Less: income tax expenses (benefit) (note 6(q))</b>	(1,801)	-	2,502	-	5,464	-	4,939	-
8200	<b>Net profit (loss)</b>	(320)	-	26,611	2	59,757	2	32,941	1
8300	<b>Other comprehensive income (notes 6(b)(q)(r)):</b>								
8310	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>								
8317	Gains on hedging instruments	31	-	-	-	340	-	-	-
8349	Less: income tax related to components of other comprehensive income that will not be reclassified to profit or loss	7	-	-	-	68	-	-	-
		24	-	-	-	272	-	-	-
8360	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>								
8361	Exchange differences on translation of foreign financial statements	(1)	-	(60)	-	(70)	-	(100)	-
8399	Less: income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	(12)	-	(14)	-	(20)	-
		(1)	-	(48)	-	(56)	-	(80)	-
8300	<b>Other comprehensive income, net</b>	23	-	(48)	-	216	-	(80)	-
8500	<b>Total comprehensive income</b>	\$ (297)	-	26,563	2	59,973	2	32,861	1
	<b>Profit (loss), attributable to:</b>								
8610	Owners of parent	\$ (320)	-	26,611	2	59,757	2	32,941	1
	<b>Comprehensive income attributable to:</b>								
8710	Owners of parent	\$ (297)	-	26,563	2	59,973	2	32,861	1
	<b>Earnings per share (note 6(s)) (in New Taiwan dollars)</b>								
9750	<b>Basic earnings per share</b>	\$ -		0.20		0.44		0.25	
9850	<b>Diluted earnings per share</b>	\$ -		0.18		0.40		0.24	

See accompanying notes to consolidated financial statements.

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

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

	Equity attributable to owners of parent								Total	Total equity
	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		
<b>Balance at January 1, 2020</b>	\$ 1,201,200	-	273,054	118,606	-	10,811	77	-	77	1,603,748
Net profit	-	-	-	-	-	32,941	-	-	-	32,941
Other comprehensive income	-	-	-	-	-	-	(80)	-	(80)	(80)
Total comprehensive income	-	-	-	-	-	32,941	(80)	-	(80)	32,861
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)	-	-	-	-	-	-	-
<b>Balance at September 30, 2020</b>	<b>\$ 1,201,200</b>	<b>110,510</b>	<b>162,544</b>	<b>119,583</b>	<b>-</b>	<b>33,165</b>	<b>(3)</b>	<b>-</b>	<b>(3)</b>	<b>1,626,999</b>
<b>Balance at January 1, 2021</b>	\$ 1,311,710	-	162,544	119,583	-	42,612	(58)	-	(58)	1,636,391
Net profit	-	-	-	-	-	59,757	-	-	-	59,757
Other comprehensive income	-	-	-	-	-	-	(56)	272	216	216
Total comprehensive income	-	-	-	-	-	59,757	(56)	272	216	59,973
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	133,579	-	112,720	-	-	-	-	-	-	246,299
Disgorgement	-	-	18	-	-	-	-	-	-	18
<b>Balance at September 30, 2021</b>	<b>\$ 1,445,289</b>	<b>57,715</b>	<b>235,931</b>	<b>123,822</b>	<b>58</b>	<b>60,032</b>	<b>(114)</b>	<b>272</b>	<b>158</b>	<b>1,923,005</b>

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 Cash Flows

For the nine months ended September 30, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30,	
	2021	2020
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 65,221	37,880
<b>Adjustments:</b>		
Adjustments to reconcile profit:		
Depreciation expenses	59,567	59,721
Amortization expenses	3,123	3,817
Expected credit losses	1,753	4,067
Gains on valuation of financial assets and liabilities at fair value through profit or loss	(173)	(870)
Interest expenses	18,934	22,104
Interest income	(228)	(875)
Gains on disposal of property, plant and equipment	-	(3)
Property, plant and equipment transferred to operating costs	-	35
Unrealized foreign exchange losses (gains)	139	(1,488)
Total adjustments to reconcile profit	83,115	86,508
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Increase in contract assets – current	(196,036)	(373,642)
Increase in notes and trade receivables, net	(320,102)	(51,341)
Decrease (increase) in other receivables	(314)	6,916
Decrease in inventories	112,708	449,364
Decrease (increase) in prepayments	27,425	(55,850)
Decrease (increase) in other current assets	(1,412)	764
Decrease in incremental costs of obtaining contracts – non-current	9,732	8,580
Total changes in operating assets	(367,999)	(15,209)
<b>Changes in operating liabilities:</b>		
Increase (decrease) in contract liabilities – current	4,069	(2,255)
Decrease in trade payables	(22,155)	(88,320)
Increase (decrease) in other payables	(55,590)	6,734
Increase (decrease) in provisions – current	6,130	(2,249)
Increase in other current liabilities	4,168	4,505
Decrease in net defined benefit liability – non-current	-	(11,059)
Total changes in operating liabilities	(63,378)	(92,644)
Net changes in operating assets and liabilities	(431,377)	(107,853)
Total adjustments	(348,262)	(21,345)
Cash generated from (used in) operations	(283,041)	16,535
Interest received	457	791
Interest paid	(14,742)	(17,104)
Income tax refund (paid)	10,948	(68)
<b>Net cash generated from (used in) operating activities</b>	(286,378)	154
<b>Cash flows from (used in) investing activities:</b>		
Decrease in other current assets	1,337	-
Decrease (increase) in refundable deposits	81,893	(20,366)
Acquisition of property, plant and equipment	(20,259)	(24,037)
Proceeds from disposal of property, plant and equipment	-	3
Acquisition of intangible assets	(7,977)	(3,800)
Increase in other non-current assets	(1,863)	(2,400)
<b>Net cash generated from (used in) investing activities</b>	53,131	(50,600)
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term loans	150,000	130,000
Increase in short-term notes payable	149,657	279,594
Proceeds from long-term loans	100,000	220,000
Repayments of long-term loans	(56,250)	(337,500)
Payment of lease liabilities	(20,283)	(516)
Cash dividends	-	(9,610)
Disgorgement	18	-
<b>Net cash generated from financing activities</b>	323,142	281,968
Effects of exchange rate changes on balance of cash held in foreign currencies	(9)	521
<b>Net increase in cash and cash equivalents</b>	89,886	232,043
<b>Cash and cash equivalents at the beginning of year</b>	158,454	145,757
<b>Cash and cash equivalents at end of year</b>	\$ 248,340	377,800

See accompanying notes to consolidated financial statements.

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

**Notes to the Consolidated Financial Statements**

**September 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 November 2, 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"> <li>• requiring companies to disclose their material accounting policies rather than their significant accounting policies;</li> <li>• clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and</li> <li>• clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements.</li> </ul>	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”

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- 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		
			September 30, 2021	December 31, 2020	September 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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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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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>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Cash and cash on hand	\$ 3,007	3,062	3,113
Demand deposits	245,333	155,392	374,687
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 248,340</u>	<u>158,454</u>	<u>377,800</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>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Financial assets for hedging— current:			
Forward exchange contracts	\$ <u>536</u>	<u>-</u>	<u>-</u>
Financial liabilities for hedging— current:			
Forward exchange contracts	\$ <u>196</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>September 30, 2021</u>			<u>Average strike price</u>
	<u>Contract Amount (in thousands)</u>	<u>Currency</u>	<u>Maturity dates</u>	
Forward exchange purchased	USD\$ <u>7,536</u>	TWD to USD	2021.10.8~2022.5.31	USD27.603~27.97

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**AIR ASIA CO., LTD. AND SUBSIDIARIES**  
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There was no such transaction as of December 31 and September 30, 2020.

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

<u>Account Item</u>	<u>July to September, 2021</u>	<u>January to September, 2021</u>
Recognized in other comprehensive income during the period	\$ <u>24</u>	<u>272</u>
Reclassification from equity to decrease in inventories for the period	\$ <u>386</u>	<u>386</u>

There was no such transaction for the three months and nine months ended September 30, 2020.

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

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Notes receivable	\$ 120	-	186
Trade receivables (including from related parties)	1,416,262	1,093,570	1,275,713
Less: Loss allowance	<u>(20,245)</u>	<u>(15,711)</u>	<u>(19,704)</u>
Subtotal	<u>1,396,137</u>	<u>1,077,859</u>	<u>1,256,195</u>
Overdue receivables (recorded as other non-current assets)	-	28,641	28,641
Less: Loss allowance	<u>-</u>	<u>(28,641)</u>	<u>(28,641)</u>
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b>\$ <u>1,396,137</u></b>	<b><u>1,077,859</u></b>	<b><u>1,256,195</u></b>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes, trade and overdue receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. 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>September 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>1,383,306</u>	0.00%	<u>-</u>

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**AIR ASIA CO., LTD. AND SUBSIDIARIES**  
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	<b>September 30, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
<u>Group 2</u>			
Current	\$ 7,131	4.59%	327
1 to 90 days past due	9,653	40.51%	3,910
91 to 180 days past due	597	52.51%	313
181 to 270 days past due	-	79.71%	-
271 to 365 days past due	2	100.00%	2
More than 365 days past due	15,693	100.00%	15,693
	<b><u>\$ 33,076</u></b>		<b><u>20,245</u></b>
		<b>December 31, 2020</b>	
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
<u>Group 1</u>			
Current	<b><u>\$ 1,054,238</u></b>	0.00%	<u>-</u>
		<b>December 31, 2020</b>	
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
<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
	<b><u>\$ 67,973</u></b>		<b><u>44,352</u></b>
		<b>September 30, 2020</b>	
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
<u>Group 1</u>			
Current	<b><u>\$ 1,217,165</u></b>	0.00%	<u>-</u>
		<b>September 30, 2020</b>	
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
<u>Group 2</u>			
Current	\$ 38,004	10.14%	3,852
1 to 90 days past due	1,281	14.72%	189
91 to 180 days past due	2,058	52.99%	1,090
181 to 270 days past due	4,118	61.26%	2,523
271 to 365 days past due	6,416	80.94%	5,193
More than 365 days past due	35,498	100.00%	35,498
	<b><u>\$ 87,375</u></b>		<b><u>48,345</u></b>

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

	<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Balance at January 1	\$ 44,352	47,650
Impairment losses recognized	1,753	4,067
Amounts written off	(25,860)	(3,372)
Balance at September 30	<u>\$ 20,245</u>	<u>48,345</u>

In the third quarter of 2021, for overdue receivables that overdue for more than 365 days, the Group acquired the ownership of the debtor's aircraft by appealing to the court for compulsory enforcement.

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

(d) **Other receivables**

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Other receivables—income taxes refund	\$ 252	11,198	11,148
Others	2,075	1,990	3,057
Less: Loss allowance	-	-	-
	<u>\$ 2,327</u>	<u>13,188</u>	<u>14,205</u>

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

(e) **Inventories**

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Repair materials and others	\$ 695,357	827,474	820,845
Finished goods	266,641	247,232	244,103
	<u>\$ 961,998</u>	<u>1,074,706</u>	<u>1,064,948</u>

The details of the cost of sales were as follows:

	<u>July to September, 2021</u>	<u>July to September, 2020</u>	<u>January to September, 2021</u>	<u>January to September, 2020</u>
Inventory that has been sold and service costs	\$ 850,239	978,115	2,536,049	2,729,362
Unallocated production overheads	45,243	54,417	133,755	125,562
Write-down of inventories (reversal of write-downs)	4,979	2,122	47,300	(5,730)
Write-off for inventories scrapped	-	-	-	2,693
Gains on physical inventory	-	-	(20)	-
Revenue from sale of scraps	-	-	-	(7)
	<u>\$ 900,461</u>	<u>1,034,654</u>	<u>2,717,084</u>	<u>2,851,880</u>

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**AIR ASIA CO., LTD. AND SUBSIDIARIES**  
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The inventories of the Group were not pledged as collateral or restricted in any way.

**(f) Prepayments**

The details of prepayments were as follows:

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Prepayment for materials	\$ 26,915	59,744	63,979
Prepayment of bank performance guarantee fees	9,901	8,978	12,535
Prepayment – other	15,310	17,518	13,698
	<b>\$ 52,126</b>	<b>86,240</b>	<b>90,212</b>

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

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

	<b>Land</b>	<b>Buildings and structures</b>	<b>Machinery and equipment</b>	<b>Office equipment</b>	<b>Transportation equipment</b>	<b>Construction in process and testing equipment</b>	<b>Total</b>
<b>Cost or deemed cost:</b>							
Balance at January 1, 2021	\$ 255,076	658,546	664,028	52,252	93,530	7,550	1,730,982
Additions	-	1,208	13,593	5,458	-	-	20,259
Disposals	-	-	(2,485)	(923)	-	-	(3,408)
Reclassification	-	-	182	-	-	(182)	-
Balance at September 30, 2021	<b>\$ 255,076</b>	<b>659,754</b>	<b>675,318</b>	<b>56,787</b>	<b>93,530</b>	<b>7,368</b>	<b>1,747,833</b>
Balance at January 1, 2020	\$ 255,076	658,059	641,650	50,780	76,838	68	1,682,471
Additions	-	487	13,259	1,093	2,824	3,417	21,080
Disposals	-	-	(3,931)	(246)	-	-	(4,177)
Reclassification	-	-	7,530	-	13,869	(35)	21,364 (Note)
Balance at September 30, 2020	<b>\$ 255,076</b>	<b>658,546</b>	<b>658,508</b>	<b>51,627</b>	<b>93,531</b>	<b>3,450</b>	<b>1,720,738</b>
<b>Accumulated depreciation and impairment loss:</b>							
Balance at January 1, 2021	\$ -	405,240	533,200	44,687	54,624	-	1,037,751
Depreciation	-	15,054	25,901	2,925	4,332	-	48,212
Disposals	-	-	(2,485)	(923)	-	-	(3,408)
Balance at September 30, 2021	<b>\$ -</b>	<b>420,294</b>	<b>556,616</b>	<b>46,689</b>	<b>58,956</b>	<b>-</b>	<b>1,082,555</b>
Balance at January 1, 2020	\$ -	384,453	504,096	41,396	48,807	-	978,752
Depreciation	-	15,664	25,963	2,678	4,328	-	48,633
Disposals	-	-	(3,931)	(246)	-	-	(4,177)
Balance at September 30, 2020	<b>\$ -</b>	<b>400,117</b>	<b>526,128</b>	<b>43,828</b>	<b>53,135</b>	<b>-</b>	<b>1,023,208</b>
<b>Carrying value:</b>							
Balance at January 1, 2021	<b>\$ 255,076</b>	<b>253,306</b>	<b>130,828</b>	<b>7,565</b>	<b>38,906</b>	<b>7,550</b>	<b>693,231</b>
Balance at September 30, 2021	<b>\$ 255,076</b>	<b>239,460</b>	<b>118,702</b>	<b>10,098</b>	<b>34,574</b>	<b>7,368</b>	<b>665,278</b>
Balance at January 1, 2020	<b>\$ 255,076</b>	<b>273,606</b>	<b>137,554</b>	<b>9,384</b>	<b>28,031</b>	<b>68</b>	<b>703,719</b>
Balance at September 30, 2020	<b>\$ 255,076</b>	<b>258,429</b>	<b>132,380</b>	<b>7,799</b>	<b>40,396</b>	<b>3,450</b>	<b>697,530</b>

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Note : The amount of \$21,399 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.

(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>
<b>Cost:</b>					
Balance at January 1, 2021	\$ 281,495	1,628	603	7,601	291,327
Additions	-	-	-	1,925	1,925
Disposals	-	-	-	(1,338)	(1,338)
Balance at September 30, 2021	<u>\$ 281,495</u>	<u>1,628</u>	<u>603</u>	<u>8,188</u>	<u>291,914</u>
Balance at January 1, 2020	\$ 281,495	-	603	4,373	286,471
Additions	-	1,671	-	4,592	6,263
Disposals	-	(43)	-	(1,321)	(1,364)
Balance at September 30, 2020	<u>\$ 281,495</u>	<u>1,628</u>	<u>603</u>	<u>7,644</u>	<u>291,370</u>
<b>Accumulated depreciation and impairment loss:</b>					
Balance at January 1, 2021	\$ 29,631	520	369	2,492	33,012
Depreciation	11,112	513	150	2,021	13,796
Disposals	-	-	-	(1,338)	(1,338)
Balance at September 30, 2021	<u>\$ 40,743</u>	<u>1,033</u>	<u>519</u>	<u>3,175</u>	<u>45,470</u>
Balance at January 1, 2020	\$ 14,815	-	168	2,032	17,015
Depreciation	11,112	349	150	1,918	13,529
Disposals	-	-	-	(1,321)	(1,321)
Balance at September 30, 2020	<u>\$ 25,927</u>	<u>349</u>	<u>318</u>	<u>2,629</u>	<u>29,223</u>
<b>Carrying value:</b>					
Balance at September 30, 2021	<u>\$ 240,752</u>	<u>595</u>	<u>84</u>	<u>5,013</u>	<u>246,444</u>
Balance at September 30, 2020	<u>\$ 255,568</u>	<u>1,279</u>	<u>285</u>	<u>5,015</u>	<u>262,147</u>

(i) **Intangible assets**

The details of intangible assets were as follows:

	<u>Acquired special technology</u>	<u>Software</u>	<u>Total</u>
<b>Carrying value:</b>			
Balance at January 1, 2021	\$ 4,373	775	5,148
Balance at September 30, 2021	<u>\$ 4,397</u>	<u>17,412</u>	<u>21,809</u>
Balance at January 1, 2020	\$ 5,174	1,177	6,351
Balance at September 30, 2020	<u>\$ 5,374</u>	<u>960</u>	<u>6,334</u>

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

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

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

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Prepayment for equipment	\$ 1,877	697	5,614
Refundable deposits – non-current	26,572	56,251	70,878
Other non-current assets – other	7,876	7,193	8,381
	<b>\$ 36,325</b>	<b>64,141</b>	<b>84,873</b>

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

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

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Commercial paper payable	<b>\$ 799,427</b>	<b>649,770</b>	<b>729,434</b>

For the nine months ended September 30, 2021 and 2020, the Group had the additional short-term notes payable amounting to \$699,391 and \$859,572, respectively, with an interest rate of 0.938%~1% and 0.958%~1%, respectively, maturing in October to November, 2021 and October, 2020 to January, 2021, respectively.

For the nine months ended September 30, 2021 and 2020, the repayment amounted to \$549,734 and \$579,978, respectively.

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

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

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Unsecured bank loans – NTD	\$ 530,000	380,000	730,000
Long-term unsecured bank loans – NTD	387,500	343,750	362,500
Total	<b>\$ 917,500</b>	<b>723,750</b>	<b>1,092,500</b>
Current	\$ 605,000	455,000	805,000
Non-current	312,500	268,750	287,500
Total	<b>\$ 917,500</b>	<b>723,750</b>	<b>1,092,500</b>
Unused short-term loans credit lines	<b>\$ 620,000</b>	<b>760,000</b>	<b>410,000</b>
Unused long-term loans credit lines	<b>\$ 100,000</b>	<b>200,000</b>	<b>200,000</b>
Range of short-term loans interest rates	<b>0.255%~0.929%</b>	<b>0.255%~0.885%</b>	<b>0.2551%~0.95%</b>
Range of long-term loans interest rates	<b>1.25%~1.30%</b>	<b>1.25%~1.30%</b>	<b>1.25%~1.30%</b>
Long-term loans due year	<b>2023~2024</b>	<b>2022~2024</b>	<b>2021~2024</b>

(Continued)

**AIR ASIA CO., LTD. AND SUBSIDIARIES**  
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For the nine months ended September 30, 2021 and 2020, the Group had the additional long-term loans amounting to \$100,000 and \$220,000, respectively, with an interest rate of 1.25% and 1.25%~1.30%, respectively, maturing in July, 2023 and July, 2021 to March, 2024, respectively.

For the nine months ended September 30, 2021 and 2020, the repayment amounted to \$56,250 and \$337,500, respectively.

Assets pledged are disclosed in note 8.

(m) **Bonds payable**

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Total convertible corporate bonds issued	\$ 500,000	500,000	500,000
Cumulative converted amount	(253,800)	-	-
Unamortized discounted corporate bonds payable	(6,590)	(18,170)	(19,894)
Corporate bonds issued balance at year-end	<u>\$ 239,610</u>	<u>481,830</u>	<u>480,106</u>
Current	\$ 239,610	194,953	194,137
Non-current	-	286,877	285,969
Total	<u>\$ 239,610</u>	<u>481,830</u>	<u>480,106</u>
Embedded derivative – put and redeem options, included in financial liabilities (assets) at fair value through profit or loss	<u>\$ (285)</u>	<u>(210)</u>	<u>600</u>
Equity component – conversion options, included in capital surplus– conversion of convertible bonds	<u>\$ 11,171</u>	<u>22,358</u>	<u>22,358</u>
	<u>July to September, 2021</u>	<u>July to September, 2020</u>	<u>January to September, 2021</u>
Embedded derivative – put and redeem options, included in losses (gains) on financial assets and liabilities at fair value through profit or loss	<u>\$ 365</u>	<u>(150)</u>	<u>(173)</u>
Interest expense (effective interest rate of 1.28%~1.69%)	<u>\$ 850</u>	<u>1,717</u>	<u>4,177</u>
	<u>5,134</u>		<u>5,134</u>

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

For the nine months ended September 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>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Warranties	<u>\$ 27,562</u>	<u>21,432</u>	<u>29,243</u>

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**AIR ASIA CO., LTD. AND SUBSIDIARIES**  
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There were no significant changes in provisions for the nine months ended September 30, 2021 and 2020. Please refer to Note 6(m) of the 2020 annual consolidated financial statements for other related information.

(o) **Lease liabilities**

The carrying value of lease liabilities was as follows:

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Current	\$ 20,418	29,875	26,522
Non-current	232,507	243,849	247,467
	<b><u>\$ 252,925</u></b>	<b><u>273,724</u></b>	<b><u>273,989</u></b>

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

The amounts recognized in profit or loss were as follows:

	<b>July to September, 2021</b>	<b>July to September, 2020</b>	<b>January to September, 2021</b>	<b>January to September, 2020</b>
Interest on lease liabilities	\$ <u>633</u>	<u>671</u>	<u>1,929</u>	<u>2,027</u>
Expenses relating to short-term leases	\$ <u>576</u>	<u>485</u>	<u>2,036</u>	<u>2,080</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>26</u>	<u>31</u>	<u>91</u>	<u>106</u>
Covid-19-related rent concessions	\$ <u>814</u>	<u>814</u>	<u>2,441</u>	<u>2,441</u>

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

	<b>For the nine months ended September 30,</b>	
	<b>2021</b>	<b>2020</b>
Total cash outflow for leases	\$ <u>24,339</u>	<u>4,729</u>

1. Real estate leases

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

2. Other leases

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

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

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

	<b>July to September, 2021</b>	<b>July to September, 2020</b>	<b>January to September, 2021</b>	<b>January to September, 2020</b>
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 nine months ended September 30, 2021 and 2020 were as follows:

	<b>July to September, 2021</b>	<b>July to September, 2020</b>	<b>January to September, 2021</b>	<b>January to September, 2020</b>
Operating cost	\$ 7,584	7,304	22,601	21,968
Selling expenses	478	507	1,445	1,536
Administration expenses	1,099	1,075	3,407	3,305
Total	<u>\$ 9,161</u>	<u>8,886</u>	<u>27,453</u>	<u>26,809</u>

(q) **Income taxes**

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

	<b>July to September, 2021</b>	<b>July to September, 2020</b>	<b>January to September, 2021</b>	<b>January to September, 2020</b>
Current tax expenses				
Adjustment for prior periods	\$ -	-	(1)	-
Deferred tax expenses (benefit)				
Origination and reversal of temporary differences	(1,801)	2,502	5,465	4,939
Income tax expenses (benefit)	<u>\$ (1,801)</u>	<u>2,502</u>	<u>5,464</u>	<u>4,939</u>

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**AIR ASIA CO., LTD. AND SUBSIDIARIES**  
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The amounts of income tax expenses (benefit) recognized in other comprehensive income were as follows:

	<b>July to September, 2021</b>	<b>July to September, 2020</b>	<b>January to September, 2021</b>	<b>January to September, 2020</b>
Items that will not be reclassified subsequently to profit or loss:				
Gains on hedging instruments	\$ <u>7</u>	<u>-</u>	<u>68</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign financial statement	\$ <u>-</u>	<u>(12)</u>	<u>(14)</u>	<u>(20)</u>

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

(r) **Capital and other equity**

As of September 30, 2021, December 31 and September 30, 2020, the authorized common stock of the Company was \$2,100,000, \$1,800,000 and 1,800,000, respectively, comprising 210,000, 180,000 and 180,000 thousand shares, respectively, with a par value of \$10 per share. The issued shares were 144,529, 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 September 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 August 25, 2021, the shareholders' meeting 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 nine months ended September 30, 2021, the convertible bonds issued by the Company amounting to \$133,579, were converted into 13,358 thousand shares of common stock. As of September 30, 2021, for the 63 thousand shares, the related registration procedures have not been completed.

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

2. Capital surplus

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Additional paid-in capital	\$ 124,679	40,123	40,123
Gain on disposal of assets	100,063	100,063	100,063
Conversion of convertible bonds	11,171	22,358	22,358
Other – disgorgement	<u>18</u>	<u>-</u>	<u>-</u>
	<u>\$ 235,931</u>	<u>162,544</u>	<u>162,544</u>

The shareholders' meeting resolved on August 25, 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).

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 shareholders' meeting on August 25, 2021. The amount of cash dividends of appropriations of earnings for 2019 had been approved in the board meeting held on March 26, 2020. These earnings were appropriated as follows:

	<u>2020</u>		<u>2019</u>	
	<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>

Unit per share: dollar

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**AIR ASIA CO., LTD. AND SUBSIDIARIES**  
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4. Other equity (net of tax)

	Exchange differences on translation of foreign financial statements	Gains (losses) on hedging instruments	Total
Balance at January 1, 2021	\$ (58)	-	(58)
Exchange differences on foreign operations	(56)	-	(56)
Changes in fair value of hedging instrument	-	658	658
Changes in fair value of hedging instrument reclassified to inventories	-	(386)	(386)
Balance at September 30, 2021	<u>\$ (114)</u>	<u>272</u>	<u>158</u>
Balance at January 1, 2020	\$ 77	-	77
Exchange differences on foreign operations	(80)	-	(80)
Balance at September 30, 2020	<u>\$ (3)</u>	<u>-</u>	<u>(3)</u>

(s) **Earnings per share**

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

	July to September, 2021	July to September, 2020	January to September, 2021	January to September, 2020
	Unit of share: thousand			
<b>Basic earnings per share</b>				
Profit (loss) attributable to common shareholders of the Company	\$ <u>(320)</u>	<u>26,611</u>	<u>59,757</u>	<u>32,941</u>
Weighted-average number of shares	<u>144,523</u>	<u>131,171</u>	<u>136,694</u>	<u>131,171</u>
	<u>\$ -</u>	<u>0.20</u>	<u>0.44</u>	<u>0.25</u>
<b>Diluted earnings per share</b>				
Profit (loss) attributable to common shareholders of the Company	\$ (320)	26,611	59,757	32,941
Effect of dilutive ordinary shares:				
Convertible bonds	-	1,597	4,039	4,438
Profit (loss) attributable to common shareholders of the Company (diluted)	<u>\$ (320)</u>	<u>28,208</u>	<u>63,796</u>	<u>37,379</u>
Weighted-average number of shares	144,523	131,171	136,694	131,171
Effect of dilutive ordinary shares:				
Remuneration to employees	-	48	84	61
Convertible bonds	-	24,085	20,862	24,085
Weighted-average number of shares (diluted)	<u>144,523</u>	<u>155,304</u>	<u>157,640</u>	<u>155,317</u>
	<u>\$ -</u>	<u>0.18</u>	<u>0.40</u>	<u>0.24</u>

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

For the three months ended September 30, 2021, there is an anti-diluted effect on convertible bonds and remuneration to employees.

On August 25, 2021, the shareholders' meeting 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:

	<b>January to September, 2021</b>	<b>January to September, 2020</b>
<b>Basic earnings per share</b>	<b>\$ 0.42</b>	<b>0.24</b>
<b>Diluted earnings per share</b>	<b>\$ 0.39</b>	<b>0.23</b>

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

1. Disaggregation of revenue

	<b>July to September, 2021</b>	<b>July to September, 2020</b>	<b>January to September, 2021</b>	<b>January to September, 2020</b>
<u>Primary geographical markets</u>				
Taiwan	\$ 846,382	1,038,145	2,593,332	2,789,226
Asia	72,255	32,173	186,175	128,812
Other	36,971	28,161	92,493	120,473
	<b>\$ 955,608</b>	<b>1,098,479</b>	<b>2,872,000</b>	<b>3,038,511</b>
<u>Major services and timing of revenue recognition</u>				
At a point in time				
Aircraft maintenance	\$ 101,835	85,632	320,159	276,369
Repair supply pricing	23,088	32,140	100,500	154,283
Outsourced repair and air material transaction	280,721	231,347	853,557	592,372
Components maintenance	71,073	261,176	238,549	1,008,380
Subtotal	476,717	610,295	1,512,765	2,031,404
Over time				
Aircraft maintenance	57,340	111,829	207,329	346,351
Fleet maintenance	124,800	68,450	333,662	173,600
Components maintenance	296,751	307,905	818,244	487,156
Subtotal	478,891	488,184	1,359,235	1,007,107
Total	<b>\$ 955,608</b>	<b>1,098,479</b>	<b>2,872,000</b>	<b>3,038,511</b>

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**AIR ASIA CO., LTD. AND SUBSIDIARIES**  
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2. Contract balances

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Notes, trade and overdue receivables	\$ 1,416,382	1,122,211	1,304,540
Less: Loss allowance	<u>(20,245)</u>	<u>(44,352)</u>	<u>(48,345)</u>
Total	<u><u>\$ 1,396,137</u></u>	<u><u>1,077,859</u></u>	<u><u>1,256,195</u></u>
Contract assets – Maintenance service	<u><u>\$ 926,559</u></u>	<u><u>730,523</u></u>	<u><u>695,221</u></u>
Contract liabilities – Maintenance service	<u><u>\$ 10,702</u></u>	<u><u>6,633</u></u>	<u><u>2,701</u></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 nine months ended September 30, 2021 and 2020 that were included in the contract liability balance at the beginning of the period were \$5,341 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.

3. Assets recognized from costs to obtain a contract

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Incremental costs of obtaining contracts – non-current	\$ 59,317	59,317	59,317
Less: accumulated amortization	<u>(48,154)</u>	<u>(38,422)</u>	<u>(35,228)</u>
Total	<u><u>\$ 11,163</u></u>	<u><u>20,895</u></u>	<u><u>24,089</u></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, \$9,732 and \$9,582 were recognized for the three months and nine months ended September 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 \$(4), \$594, \$1,377 and \$773 for the three-months and nine-months ended September 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

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

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

	July to September, 2021	July to September, 2020	January to September, 2021	January to September, 2020
Government grants	\$ -	19,357	78,893	53,054
Rent income	348	348	1,043	1,043
Other income – others	7,361	6,716	11,861	7,968
	<u>\$ 7,709</u>	<u>26,421</u>	<u>91,797</u>	<u>62,065</u>

The Group received a wage subsidy and working capital subsidy of \$78,893 and \$53,054 for the nine months ended September 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 capital subsidy relief measure. This grant was recognized in profit or loss under other income. As of September 30, 2021 and 2020, the receivables related to this grant was fully received.

2. Other gains and losses

	July to September, 2021	July to September, 2020	January to September, 2021	January to September, 2020
Gains on disposals of property, plant and equipment	\$ -	3	-	3
Foreign exchange gains, net	887	3,228	10,573	6,427
Net gains (losses) on valuation of financial assets and liabilities at fair value through profit or loss	(365)	150	173	870
Handing fees	(2,470)	(2,378)	(7,264)	(6,517)
Others	-	(715)	(12)	(5,239)
	<u>\$ (1,948)</u>	<u>288</u>	<u>3,470</u>	<u>(4,456)</u>

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**AIR ASIA CO., LTD. AND SUBSIDIARIES**  
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(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 September 30, 2021, December 31 and September 30, 2020, a few customers of the Group accounted for 82%, 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 nine months ended September 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.

2. Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
<b>September 30, 2021</b>						
Non-derivative financial liabilities						
With floating interest rates	\$ 917,500	927,787	610,600	178,343	138,844	-
With fixed interest rates	1,039,037	1,048,842	1,048,842	-	-	-
Non-interest-bearing liabilities	531,101	531,101	531,101	-	-	-
Lease liabilities	252,925	274,156	23,597	18,182	49,298	183,079
Derivative financial liabilities						
Forward exchange contracts:						
Outflow	196	76,945	76,945	-	-	-
Inflow	-	(76,749)	(76,749)	-	-	-
	<u>\$ 2,740,759</u>	<u>2,782,082</u>	<u>2,214,336</u>	<u>196,525</u>	<u>188,142</u>	<u>183,079</u>

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**AIR ASIA CO., LTD. AND SUBSIDIARIES**  
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	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
<b>December 31, 2020</b>						
Non-derivative financial liabilities						
With floating interest rates	\$ 723,750	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>
	<b><u>\$ 2,712,982</u></b>	<b><u>2,779,847</u></b>	<b><u>1,940,108</u></b>	<b><u>500,193</u></b>	<b><u>144,262</u></b>	<b><u>195,284</u></b>
<b>September 30, 2020</b>						
Non-derivative financial liabilities						
With floating interest rates	\$ 1,092,500	1,102,272	810,311	178,181	113,780	-
With fixed interest rates	1,209,540	1,234,765	931,001	303,764	-	-
Non-interest-bearing liabilities						
	524,346	524,346	524,346	-	-	-
Lease liabilities	273,989	299,437	31,542	18,752	49,790	199,353
Derivative financial liabilities						
Embedded derivative	600	600	600	-	-	-
	<b><u>\$ 3,100,975</u></b>	<b><u>3,161,420</u></b>	<b><u>2,297,800</u></b>	<b><u>500,697</u></b>	<b><u>163,570</u></b>	<b><u>199,353</u></b>

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

### 3. Market risk

#### (i) Currency risk

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

	<u>September 30, 2021</u>			<u>December 31, 2020</u>			<u>September 30, 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	\$ 3,200	27.85	89,108	1,963	28.48	55,897	2,815	29.10	81,931
<u>Non-monetary items</u>									
USD	7,536	27.85	209,886	-	-	-	-	-	-
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	5,543	27.85	154,361	6,808	28.48	193,897	4,455	29.10	129,648

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 \$522 and \$382, respectively, and the equity will increase or decrease by \$3 and \$0 due to cash flow hedges,

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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 September, 2021		January to September, 2020	
	Exchange gain (loss)	Average rate	Exchange gain (loss)	Average rate
NTD	\$ 10,573	-	6,427	-

(ii) Interest rate analysis

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

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

If the interest rate had increased or decreased by 1%, the Group's net profit would have decreased or increased by \$5,505 and \$6,555 for the nine months ended September 30, 2021 and 2020, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at floating rates.

4. Fair value of financial instruments

(i) Fair value hierarchy

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

	September 30, 2021				
	Carrying amount	Fair Value			Total
	Level 1	Level 2	Level 3		
<b>Financial assets at fair value through profit or loss</b>					
Financial assets designated at fair value through profit or loss	\$ 285	-	285	-	285
<b>Financial assets for hedging</b>	\$ 536	-	536	-	536

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	<b>September 30, 2021</b>				
	<b>Carrying</b>	<b>Fair Value</b>			<b>Total</b>
	<b>amount</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 248,340	-	-	-	-
Notes and trade receivables	1,396,137	-	-	-	-
Other receivables	2,075	-	-	-	-
Refundable deposits— current	79,392	-	-	-	-
Refundable deposits— non-current (recorded as other non-current assets)	<u>26,572</u>	-	-	-	-
	<b><u>\$1,752,516</u></b>				
<b>Financial liabilities for hedging</b>	<b><u>\$ 196</u></b>	-	196	-	196
<b>Financial liabilities measured at amortized cost</b>					
Short-term loans	\$ 530,000	-	-	-	-
Short-term notes payable	799,427	-	-	-	-
Payables	531,101	-	-	-	-
Bonds payable (included in current portion)	239,610	-	243,694	-	243,694
Long-term loans (included in current portion)	387,500	-	-	-	-
Lease liabilities	<u>252,925</u>	-	-	-	-
	<b><u>\$2,740,563</u></b>				
		<b>December 31, 2020</b>			
	<b>Carrying</b>	<b>Fair Value</b>			<b>Total</b>
	<b>amount</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial assets at fair value through profit or loss</b>					
Financial assets designated at fair value through profit or loss	<u>\$ 210</u>	-	210	-	210
<b>Financial assets measured at amortized cost</b>					
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>	-	-	-	-
	<b><u>\$1,427,497</u></b>				
<b>Financial liabilities measured at amortized cost</b>					
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>	-	-	-	-
	<b><u>\$2,712,982</u></b>				

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	September 30, 2020				
	Carrying amount	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 377,800	-	-	-	-
Notes and trade receivables	1,256,195	-	-	-	-
Other receivables	3,057	-	-	-	-
Refundable deposits – current	141,756	-	-	-	-
Refundable deposits – non-current (recorded as other non-current assets)	70,878	-	-	-	-
	<u>\$1,849,686</u>				
<b>Financial liabilities at fair value through profit or loss</b>					
Financial liabilities designated at fair value through profit or loss	\$ <u>600</u>	-	600	-	600
<b>Financial liabilities measured at amortized cost</b>					
Short-term loans	\$ 730,000	-	-	-	-
Short-term notes payable	729,434	-	-	-	-
Payables	524,346	-	-	-	-
Bonds payable (included in current portion)	480,106	-	491,460	-	491,460
Long-term loans (included in current portion)	362,500	-	-	-	-
Lease liabilities	273,989	-	-	-	-
	<u>\$3,100,375</u>				

The table above analyzes financial instruments carried at fair value by the levels in the fair value hierarchy. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

There was no reclassification of levels during the nine months ended September 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.

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(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 nine months ended September 30, 2021 and 2020, please refer to note 6(h).

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

Reconciliation of liabilities arising from financing activities was as follows:

	<b>January 1, 2021</b>	<b>Cash flows</b>	<b>Non-cash changes</b>	<b>September 30, 2021</b>
Short-term loans	\$ 380,000	150,000	-	530,000
Short-term notes payable	649,770	149,657	-	799,427
Long-term loans (included in current portion)	343,750	43,750	-	387,500
Bonds payable (included in current portion)	481,830	-	(242,220)	239,610
Lease liabilities	273,724	(20,283)	(516)	252,925
Total liabilities from financing activities	<u>\$ 2,129,074</u>	<u>323,124</u>	<u>(242,736)</u>	<u>2,209,462</u>

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**AIR ASIA CO., LTD. AND SUBSIDIARIES**  
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	<b>January 1, 2020</b>	<b>Cash flows</b>	<b>Non-cash changes</b>	<b>September 30, 2020</b>
Short-term loans	\$ 600,000	130,000	-	730,000
Short-term notes payable	449,840	279,594	-	729,434
Long-term loans (included in current portion)	480,000	(117,500)	-	362,500
Bonds payable (included in current portion)	474,972	-	5,134	480,106
Lease liabilities	270,726	(516)	3,779	273,989
Total liabilities from financing activities	<u>\$ 2,275,538</u>	<u>291,578</u>	<u>8,913</u>	<u>2,576,029</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:

	<b>July to September, 2021</b>	<b>July to September, 2020</b>	<b>January to September, 2021</b>	<b>January to September, 2020</b>
Other related parties	<u>\$ 39</u>	<u>36</u>	<u>146</u>	<u>196</u>

The sales price to the above related parties was determined through mutual agreement based on the market rates. The credit terms ranged from 15 to 60 days, the collection terms for related parties approximated the market terms. As of September 30, 2021, December 31 and September 30, 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:

	<b>July to September, 2021</b>	<b>July to September, 2020</b>	<b>January to September, 2021</b>	<b>January to September, 2020</b>
Short-term employee benefits	\$ 3,790	3,644	11,248	11,096
Post-employment benefits	152	152	456	3,291
	<u>\$ 3,942</u>	<u>3,796</u>	<u>11,704</u>	<u>14,387</u>

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**AIR ASIA CO., LTD. AND SUBSIDIARIES**  
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**(8) Pledged assets**

The carrying amounts of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Refundable deposits – current	Guarantee deposits and customs bond	\$ 79,392	131,606	141,756
Restricted deposit (Note1)	Guarantee deposits	-	1,337	-
Refundable deposits – non-current (Note2)	Guarantee deposits	26,572	56,251	70,878
Land	Short-term loans	255,076	255,076	255,076
Buildings and structures	Short-term loans	212,861	222,751	226,095
		<u>\$ 573,901</u>	<u>667,021</u>	<u>693,805</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 September 30, 2021, December 31 and September 30, 2020, the maintenance bond and customs bond offered by banks amounted to \$1,974,218, \$1,879,967 and \$1,879,967, respectively.

(b) Contingencies:None.

**(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 September 30,					
		2021			2020		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		139,878	32,091	171,969	130,724	29,591	160,315
Labor and health insurance		14,030	3,521	17,551	12,817	3,204	16,021
Pension		7,584	1,577	9,161	7,304	1,582	8,886
Others		14,035	1,468	15,503	7,771	1,894	9,665
Depreciation		18,632	1,212	19,844 (Note)	18,962	1,209	20,171 (Note)
Amortization		971	117	1,088	1,230	32	1,262

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By item	By function	For the nine months ended September 30,					
		2021			2020		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		418,286	98,214	516,500	395,919	102,894	498,813
Labor and health insurance		41,847	9,107	50,954	38,498	8,898	47,396
Pension		22,601	4,852	27,453	22,004	4,854	26,858
Others		29,456	4,309	33,765	25,793	5,046	30,839
Depreciation		56,067	3,500	59,567 (Note)	56,216	3,505	59,721 (Note)
Amortization		2,838	285	3,123	3,720	97	3,817

Note : The covid-19-related rent concessions of \$814, \$814, \$2,441 and \$2,441 were recognized as deduction of depreciation expenses for the three months and nine months ended September 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 nine months ended September 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.
- (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).

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(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 nine months ended September 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 September 30, 2021			Net income (loss) of investee	Investment income (loss) recognized	Remark
			September 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 %	3,071	(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	63.76 %
Taiwan Sugar Corporation		17,800,712	12.31 %

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

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

#### (14) Segment information:

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

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