

(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, 2022 and 2021**

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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.

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statement of Comprehensive Income	5
6. Consolidated Statement of Changes in Equity	6
7. Consolidated Statement of Cash Flows	7
8. Notes to the Consolidated Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the consolidated financial statements	8
(3) New standards, amendments and interpretations adopted	8~9
(4) Summary of significant accounting policies	10
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	10~11
(6) Explanation of significant accounts	11~32
(7) Related-parties transactions	32~33
(8) Assets pledged as security	33
(9) Significant Commitments and Contingencies	33
(10) Losses Due to Major Disasters	34
(11) Subsequent Events	34
(12) Others	34
(13) Other disclosure items	
(a) Information on significant transactions	34~35
(b) Information on investments	35~36
(c) Information on investment in Mainland China	36
(d) Major shareholders	36
(14) Segment information	36



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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, 2022 and 2021, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2022 and 2021, and the statements of changes in equity and cash flows for the six months ended June 30, 2022 and 2021, 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, 2022 and 2021, and of its consolidated financial performance for the three months and six months ended June 30, 2022 and 2021, and its consolidated cash flows for the six months ended June 30, 2022 and 2021 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 Kuo-Tsung Chen.

KPMG

Tainan, Taiwan (Republic of China)
August 2, 2022

Notes to Readers

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

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

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

AIR ASIA CO., LTD. AND SUBSIDIARIES

Consolidated Statement of Comprehensive Income

For the three months and six months ended June 30, 2022 and 2021

(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,				
	2022		2021		2022		2021		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue (notes 6(t) and 7)	\$ 1,017,089	100	1,017,041	100	1,886,872	100	1,916,392	100
5000	Operating costs (notes 6(b)(e)(o)(p)(t)(u), 7 and 12)	949,956	93	966,314	95	1,782,325	95	1,816,623	95
5900	Gross profit	67,133	7	50,727	5	104,547	5	99,769	5
6000	Operating expenses (notes 6(c)(o)(p)(u), 7 and 12):								
6100	Selling expenses	13,959	1	13,929	1	27,351	1	28,048	1
6200	Administrative expenses (including covid-19-related rent concessions of \$813, \$813, \$1,684 and \$1,627)	36,533	4	42,468	4	72,067	4	79,625	4
6450	Expected credit losses	-	-	601	-	34	-	1,189	-
		50,492	5	56,998	5	99,452	5	108,862	5
6900	Operating income (loss)	16,641	2	(6,271)	-	5,095	-	(9,093)	-
7000	Non-operating income and expenses (notes 6(m)(o)(v)):								
7100	Interest income	203	-	118	-	258	-	230	-
7010	Other income (including covid-19-related government grants of \$0, \$48,334, \$0 and \$78,893)	8,188	1	50,254	5	10,488	1	84,088	4
7020	Other gains and losses	(1,036)	-	1,065	-	891	-	5,418	-
7050	Interest expenses	(6,804)	(1)	(6,736)	(1)	(13,448)	(1)	(13,301)	(1)
		551	-	44,701	4	(1,811)	-	76,435	3
7900	Profit before tax	17,192	2	38,430	4	3,284	-	67,342	3
7950	Less: income tax expenses (note 6(q))	677	-	2,376	-	677	-	7,265	-
8200	Net profit	16,515	2	36,054	4	2,607	-	60,077	3
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	5,335	-	309	-	9,339	1	309	-
8349	Less: income tax related to components of other comprehensive income that will not be reclassified to profit or loss	313	-	61	-	997	-	61	-
		5,022	-	248	-	8,342	1	248	-
8360	Components of other comprehensive income that will be reclassified to profit or loss								
8361	Exchange differences on translation of foreign financial statements	117	-	(75)	-	221	-	(69)	-
8399	Less: income tax related to components of other comprehensive income that will be reclassified to profit or loss	23	-	(15)	-	44	-	(14)	-
		94	-	(60)	-	177	-	(55)	-
8300	Other comprehensive income, net	5,116	-	188	-	8,519	1	193	-
8500	Total comprehensive income	\$ 21,631	2	36,242	4	11,126	1	60,270	3
	Profit, attributable to:								
8610	Owners of parent	\$ 16,515	2	36,054	4	2,607	-	60,077	3
	Comprehensive income attributable to:								
8710	Owners of parent	\$ 21,631	2	36,242	4	11,126	1	60,270	3
	Earnings per share (note 6(s)) (in New Taiwan dollars)								
9750	Basic earnings per share	\$ 0.11		0.26		0.02		0.43	
9850	Diluted earnings per share	\$ 0.11		0.23		0.02		0.39	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
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AIR ASIA CO., LTD. AND SUBSIDIARIES
Consolidated Statement of Changes in Equity
For the six months ended June 30, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent									Total equity
	Retained earnings						Other equity			
	Common stock	Stock dividends to be distributed	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Gains (losses) on hedging instruments	Total	
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	\$ 1,502,372	-	235,410	123,822	58	60,352	(113)	248	135	1,922,149
Balance at January 1, 2022	\$ 1,505,641	-	237,987	123,822	58	77,259	(129)	(484)	(613)	1,944,154
Net profit	-	-	-	-	-	2,607	-	-	-	2,607
Other comprehensive income	-	-	-	-	-	-	177	8,342	8,519	8,519
Total comprehensive income	-	-	-	-	-	2,607	177	8,342	8,519	11,126
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	-	7,698	-	(7,698)	-	-	-	-
Special reserve	-	-	-	-	555	(555)	-	-	-	-
Cash dividends	-	-	-	-	-	(37,641)	-	-	-	(37,641)
Stock dividends	-	31,317	-	-	-	(31,317)	-	-	-	-
Stock dividends distributed from capital surplus	-	81,606	(81,606)	-	-	-	-	-	-	-
Conversion of convertible bonds	721	-	578	-	-	-	-	-	-	1,299
Changes in fair value of hedging instrument reclassified to inventories	-	-	-	-	-	-	-	(4,355)	(4,355)	(4,355)
Balance at June 30, 2022	\$ 1,506,362	112,923	156,959	131,520	613	2,655	48	3,503	3,551	1,914,583

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, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30,	
	2022	2021
Cash flows from (used in) operating activities:		
Profit before tax	\$ 3,284	67,342
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expenses	43,422	39,723
Amortization expenses	2,729	2,035
Expected credit losses	34	1,189
Losses (gains) on valuation of financial assets at fair value through profit or loss	243	(538)
Interest expenses	13,448	13,301
Interest income	(258)	(230)
Gains on disposal of property, plant and equipment	(11)	-
Gains on lease modification	(2)	-
Unrealized foreign exchange gains	(4,377)	(296)
Total adjustments to reconcile profit	<u>55,228</u>	<u>55,184</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Increase in contract assets—current	(137,322)	(132,572)
Decrease (increase) in notes and trade receivables, net	312,026	(305,448)
Decrease (increase) in other receivables	(819)	336
Decrease in inventories	28,464	111,816
Decrease (increase) in prepayments	(43,651)	644
Increase in other current assets	(476)	(1,412)
Decrease in incremental costs of obtaining contracts—non-current	3,225	6,488
Total changes in operating assets	<u>161,447</u>	<u>(320,148)</u>
Changes in operating liabilities:		
Increase (decrease) in contract liabilities—current	17,217	(1,597)
Increase in trade payables	93,515	94,853
Decrease in other payables	(66,953)	(58,911)
Increase in provisions—current	3,120	3,897
Increase in other current liabilities	53	3,318
Total changes in operating liabilities	<u>46,952</u>	<u>41,560</u>
Net changes in operating assets and liabilities	<u>208,399</u>	<u>(278,588)</u>
Total adjustments	<u>263,627</u>	<u>(223,404)</u>
Cash generated from (used in) operations	266,911	(156,062)
Interest received	455	443
Interest paid	(10,828)	(9,942)
Income tax refund	193	10,949
Net cash generated from (used in) operating activities	<u>256,731</u>	<u>(154,612)</u>
Cash flows from (used in) investing activities:		
Decrease in other current assets	-	1,337
Decrease (increase) in refundable deposits	(3,813)	76,942
Acquisition of property, plant and equipment	(43,845)	(11,560)
Proceeds from disposal of property, plant and equipment	11	-
Acquisition of intangible assets	(2,471)	(2,735)
Increase in other non-current assets	(21)	(3,775)
Net cash generated from (used in) investing activities	<u>(50,139)</u>	<u>60,209</u>
Cash flows from (used in) financing activities:		
Increase in short-term loans	270,000	200,000
Increase (decrease) in short-term notes payable	(99,393)	99,588
Proceeds from long-term loans	250,000	-
Repayments of long-term loans	(337,500)	(37,500)
Payment of lease liabilities	(6,624)	(16,657)
Cash dividends	(37,641)	-
Disorgement	-	18
Net cash generated from financing activities	<u>38,842</u>	<u>245,449</u>
Effects of exchange rate changes on balance of cash held in foreign currencies	4,359	154
Net increase in cash and cash equivalents	<u>249,793</u>	<u>151,200</u>
Cash and cash equivalents at the beginning of year	<u>318,848</u>	<u>158,454</u>
Cash and cash equivalents at end of year	<u>\$ 568,641</u>	<u>309,654</u>

See accompanying notes to consolidated financial statements.

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AIR ASIA CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2022 and 2021

(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 2, 2022.

(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, 2022 :

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

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

The Group’s adoption of the new amendments, effective for annual period beginning on January 1, 2023, are expected to have the following impacts:

1. Amendments to IAS1 “Disclosure of Accounting Policies”

The key amendments to IAS1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;

(Continued)

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

- 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.

The Group is evaluating and reviewing the accounting policies disclosed in the financial statements to meet the amendments.

2. Other amendments

The following amendments are not expected to have a significant impact on the Group’s consolidated financial statements.

- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(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:

Standards or Interpretations	Content of amendments	Effective date per IASB
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

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”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”

(Continued)

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

(4) Summary of significant accounting policies:

(a) Statement of compliance

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

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2021. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2021.

(b) Basis of consolidation

1. List of subsidiaries in the consolidated financial statements:

Name of investor	Name of subsidiary	Principal activity	Shareholding		
			June 30, 2022	December 31, 2021	June 30, 2021
The Company	Air Asia Company Ltd. (USA)	Logistics Services	100 %	100 %	100 %

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

(c) Income taxes

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

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

(Continued)

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

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, 2021. For related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2021.

(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 2021 consolidated financial statements. Please refer to Note 6 of the 2021 annual consolidated financial statements.

(a) Cash and cash equivalents

	<u>June 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>June 30,</u> <u>2021</u>
Cash and cash on hand	\$ 3,185	2,993	3,008
Demand deposits	565,456	315,855	306,646
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 568,641</u>	<u>318,848</u>	<u>309,654</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,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>June 30,</u> <u>2021</u>
Financial assets for hedging – current:			
Forward exchange contracts	\$ <u>4,379</u>	<u>34</u>	<u>373</u>
Financial liabilities for hedging – current:			
Forward exchange contracts	\$ <u>-</u>	<u>639</u>	<u>64</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, 2022</u>			
	<u>Contract Amount</u> <u>(in thousands)</u>	<u>Currency</u>	<u>Maturity dates</u>	<u>Average</u> <u>strike price</u>
Forward exchange purchased	USD\$ <u>4,430</u>	TWD to USD	2022.7.11~2023.5.10	USD27.605~29.6

(Continued)

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

December 31, 2021				
	Contract Amount (in thousands)	Currency	Maturity dates	Average strike price
Forward exchange purchased	USD\$ <u>7,732</u>	TWD to USD	2022.1.25~2022.9.12	USD27.603~27.921
June 30, 2021				
	Contract Amount (in thousands)	Currency	Maturity dates	Average strike price
Forward exchange purchased	USD\$ <u>3,550</u>	TWD to USD	2021.7.14~2021.12.10	USD27.529~27.92

2. The details arising from cash flow hedges for the three months and six months ended June 30, 2022 and 2021, were as follows:

Account Item		April to June, 2022	April to June, 2021	January to June, 2022	January to June, 2021
Recognized in other comprehensive income during the period	\$	<u>5,022</u>	<u>248</u>	<u>8,342</u>	<u>248</u>
Reclassification from equity to decrease in inventories for the period	\$	<u>3,770</u>	<u>-</u>	<u>4,355</u>	<u>-</u>

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

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

	June 30, 2022	December 31, 2021	June 30, 2021
Notes receivable	\$ -	-	68
Trade receivables (including from related parties)	1,094,318	1,420,423	1,398,855
Less: Loss allowance	<u>(1,728)</u>	<u>(16,042)</u>	<u>(16,900)</u>
Subtotal	<u>1,092,590</u>	<u>1,404,381</u>	<u>1,382,023</u>
Overdue receivables (recorded as other non-current assets)	-	-	28,641
Less: Loss allowance	<u>-</u>	<u>-</u>	<u>(28,641)</u>
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>1,092,590</u>	<u>1,404,381</u>	<u>1,382,023</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:

(Continued)

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,	
	2022	2021
Balance at January 1	\$ 16,042	44,352
Impairment losses recognized	34	1,189
Amounts written off	(14,348)	-
Balance at June 30	<u>\$ 1,728</u>	<u>45,541</u>

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

(d) **Other receivables**

	June 30, 2022	December 31, 2021	June 30, 2021
Other receivables—income taxes refund	\$ 72	265	252
Others	1,609	985	1,441
Less: Loss allowance	-	-	-
	<u>\$ 1,681</u>	<u>1,250</u>	<u>1,693</u>

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

(e) **Inventories**

	June 30, 2022	December 31, 2021	June 30, 2021
Repair materials and others	\$ 689,965	735,664	716,628
Finished goods	269,404	252,169	246,262
	<u>\$ 959,369</u>	<u>987,833</u>	<u>962,890</u>

The details of the cost of sales were as follows:

	April to June, 2022	April to June, 2021	January to June, 2022	January to June, 2021
Inventory that has been sold and service costs	\$ 912,188	910,575	1,688,257	1,685,810
Unallocated production overheads	29,390	41,771	75,243	88,512
Write-down of inventories	8,403	13,968	18,849	42,321
Gains on physical inventory	(1)	-	-	(20)
Revenue from sale of scraps	(24)	-	(24)	-
	<u>\$ 949,956</u>	<u>966,314</u>	<u>1,782,325</u>	<u>1,816,623</u>

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

(Continued)

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

(f) **Prepayments**

The details of prepayments were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Prepayment for materials	\$ 97,214	62,852	45,044
Prepayment of bank performance guarantee fees	4,773	8,092	5,440
Prepayment – other	22,519	9,911	28,423
	\$ 124,506	80,855	78,907

(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, 2022	\$ 264,076	678,946	675,726	57,904	93,233	9,898	1,779,783
Additions	-	1,027	11,364	10,559	1,400	19,363	43,713
Disposals	-	-	(1,904)	(655)	-	-	(2,559)
Balance at June 30, 2022	\$ 264,076	679,973	685,186	67,808	94,633	29,261	1,820,937
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
Accumulated depreciation and impairment loss:							
Balance at January 1, 2022	\$ -	425,220	564,395	46,064	59,550	-	1,095,229
Depreciation	-	9,722	16,946	3,179	2,933	-	32,780
Disposals	-	-	(1,904)	(655)	-	-	(2,559)
Balance at June 30, 2022	\$ -	434,942	579,437	48,588	62,483	-	1,125,450
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
Carrying value:							
Balance at January 1, 2022	\$ 264,076	253,726	111,331	11,840	33,683	9,898	684,554
Balance at June 30, 2022	\$ 264,076	245,031	105,749	19,220	32,150	29,261	695,487
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

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

(Continued)

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

(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, 2022	\$ 281,495	33,723	603	8,188	324,009
Additions	217	-	-	-	217
Reduction	(232)	(653)	(603)	-	(1,488)
Balance at June 30, 2022	<u>\$ 281,480</u>	<u>33,070</u>	<u>-</u>	<u>8,188</u>	<u>322,738</u>
Balance at January 1, 2021	\$ 281,495	1,628	603	7,601	291,327
Additions	-	-	-	777	777
Reduction	-	-	-	(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>
Accumulated depreciation and impairment loss:					
Balance at January 1, 2022	\$ 44,447	1,010	569	3,857	49,883
Depreciation	7,406	3,522	34	1,364	12,326
Reduction	-	(653)	(603)	-	(1,256)
Balance at June 30, 2022	<u>\$ 51,853</u>	<u>3,879</u>	<u>-</u>	<u>5,221</u>	<u>60,953</u>
Balance at January 1, 2021	\$ 29,631	520	369	2,492	33,012
Depreciation	7,408	342	100	1,322	9,172
Reduction	-	-	-	(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>
Carrying value:					
Balance at January 1, 2022	<u>\$ 237,048</u>	<u>32,713</u>	<u>34</u>	<u>4,331</u>	<u>274,126</u>
Balance at June 30, 2022	<u>\$ 229,627</u>	<u>29,191</u>	<u>-</u>	<u>2,967</u>	<u>261,785</u>
Balance at January 1, 2021	<u>\$ 251,864</u>	<u>1,108</u>	<u>234</u>	<u>5,109</u>	<u>258,315</u>
Balance at June 30, 2021	<u>\$ 244,456</u>	<u>766</u>	<u>134</u>	<u>4,564</u>	<u>249,920</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, 2022	<u>\$ 3,647</u>	<u>16,729</u>	<u>20,376</u>
Balance at June 30, 2022	<u>\$ 4,333</u>	<u>15,785</u>	<u>20,118</u>
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>

There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the six months ended June 30, 2022 and 2021. Information on amortization for the period is disclosed in Note 12. For other relevant information, please refer to note 6(i) of the consolidated financial statements for the year ended December 31, 2021.

(Continued)

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

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

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

	June 30, 2022	December 31, 2021	June 30, 2021
Prepayment for equipment	\$ 5,531	1,018	1,869
Refundable deposits – non-current	26,672	26,762	26,699
Other non-current assets – other	2,050	6,542	16,485
	\$ 34,253	34,322	45,053

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, 2022	December 31, 2021	June 30, 2021
Commercial paper payable	\$ 849,810	949,203	749,358

For the six months ended June 30, 2022 and 2021, the Group had the additional short-term notes payable amounting to \$50,014 and \$549,547, respectively, with an interest rate of 1.19% and 0.938%~1%, respectively, maturing in July, 2022 and July to August, 2021, respectively.

For the six months ended June 30, 2022 and 2021, the repayment amounted to \$149,407 and \$449,959, respectively.

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

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

	June 30, 2022	December 31, 2021	June 30, 2021
Unsecured bank loans – NTD	\$ 680,000	410,000	580,000
Long-term unsecured bank loans – NTD	281,250	368,750	306,250
Total	\$ 961,250	778,750	886,250
Current	\$ 755,000	485,000	655,000
Non-current	206,250	293,750	231,250
Total	\$ 961,250	778,750	886,250
Unused short-term loans credit lines	\$ 470,000	740,000	560,000
Unused long-term loans credit lines	\$ 400,000	200,000	200,000
Range of short-term loans interest rates	0.9095%~1.4358%	0.256%~0.92%	0.505%~1.0313%
Range of long-term loans interest rates	1.45%~1.50%	1.25%~1.30%	1.25%~1.30%
Long-term loans due year	2024~2026	2023~2024	2022~2024

For the six months ended June 30, 2022, the Group had the additional long-term loans amounting to \$250,000, with an interest rate of 1.50%, maturing in June, 2026. For the six months ended June 30, 2021, the Group had not the additional long-term loans.

(Continued)

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

For the six months ended June 30, 2022 and 2021, the repayment amounted to \$337,500 and \$37,500, respectively.

Assets pledged are disclosed in note 8.

(m) **Bonds payable**

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Total convertible corporate bonds issued	\$ 500,000	500,000	500,000
Cumulative converted amount	(259,900)	(258,600)	(252,600)
Unamortized discounted corporate bonds payable	(3,961)	(5,638)	(7,483)
Corporate bonds issued balance at year-end	<u>\$ 236,139</u>	<u>235,762</u>	<u>239,917</u>
Current	\$ 85,365	235,762	239,917
Non-current	150,774	-	-
Total	<u>\$ 236,139</u>	<u>235,762</u>	<u>239,917</u>
Embedded derivative – put and redeem options, included in financial assets at fair value through profit or loss	<u>\$ 62</u>	<u>305</u>	<u>654</u>
Equity component – conversion options, included in capital surplus– conversion of convertible bonds	<u>\$ 10,915</u>	<u>10,960</u>	<u>11,232</u>
	<u>April to June, 2022</u>	<u>April to June, 2021</u>	<u>January to June, 2022</u>
Embedded derivative – put and redeem options, included in gains (losses) on financial assets at fair value through profit or loss	<u>\$ (247)</u>	<u>748</u>	<u>(243)</u>
Interest expense (effective interest rate of 1.28%~1.69%)	<u>\$ 839</u>	<u>1,597</u>	<u>1,676</u>
	<u>3,327</u>		<u>3,327</u>

Except for the following disclosures, there were no significant issues, repurchases and repayments of bonds payable for the six months ended June 30, 2022 and 2021. Please refer to Note 6(m) of the 2021 annual consolidated financial statements for other related information.

For the six months ended June 30, 2022 and 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, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Warranties	<u>\$ 25,356</u>	<u>22,236</u>	<u>25,329</u>

There were no significant changes in provisions for the six months ended June 30, 2022 and 2021. Please refer to Note 6(n) of the 2021 annual consolidated financial statements for other related information.

(Continued)

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

(o) **Lease liabilities**

The carrying value of lease liabilities was as follows:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Current	\$ 19,916	20,220	20,275
Non-current	220,290	228,311	235,942
	<u>\$ 240,206</u>	<u>248,531</u>	<u>256,217</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, 2022</u>	<u>April to June, 2021</u>	<u>January to June, 2022</u>	<u>January to June, 2021</u>
Interest on lease liabilities	\$ 599	643	1,186	1,296
Expenses relating to short-term leases	\$ 661	614	1,843	1,460
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ 36	32	69	65
Covid-19-related rent concessions	\$ 813	813	1,684	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>2022</u>	<u>2021</u>
Total cash outflow for leases	\$ 9,722	19,478

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**

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, 2022 and 2021 were as follows:

(Continued)

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

	<u>April to June, 2022</u>	<u>April to June, 2021</u>	<u>January to June, 2022</u>	<u>January to June, 2021</u>
Operating cost	\$ 7,628	7,465	15,459	15,017
Selling expenses	506	480	992	967
Administration expenses	1,052	1,312	1,777	2,308
Total	<u>\$ 9,186</u>	<u>9,257</u>	<u>18,228</u>	<u>18,292</u>

(q) **Income taxes**

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

	<u>April to June, 2022</u>	<u>April to June, 2021</u>	<u>January to June, 2022</u>	<u>January to June, 2021</u>
Current tax expenses				
Adjustment for prior periods	\$ -	-	-	(1)
Deferred tax expenses				
Origination and reversal of temporary differences	677	2,376	677	7,266
Income tax expenses	<u>\$ 677</u>	<u>2,376</u>	<u>677</u>	<u>7,265</u>

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

	<u>April to June, 2022</u>	<u>April to June, 2021</u>	<u>January to June, 2022</u>	<u>January to June, 2021</u>
Items that will not be reclassified subsequently to profit or loss:				
Gains on hedging instruments	<u>\$ 313</u>	<u>61</u>	<u>997</u>	<u>61</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign financial statement	<u>\$ 23</u>	<u>(15)</u>	<u>44</u>	<u>(14)</u>

2. The Company's income tax return for the year 2020 had been examined by the tax authorities.

(r) **Capital and other equity**

As of June 30, 2022, December 31 and June 30, 2021, the authorized common stock of the Company was \$2,100,000, \$2,100,000 and \$1,800,000, respectively, comprising 210,000, 210,000 and 180,000 thousand shares, respectively, with a par value of \$10 per share. The issued shares were 150,636, 150,564 and 150,237 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, 2022 and 2021. For the related information, please refer to note 6(r) of the consolidated financial statements for the year ended December 31, 2021.

(Continued)

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

1. Common stock

On June 15, 2022, the shareholders' meeting resolved to issue 11,292 thousand new shares by its earnings and capital surplus in the amount of \$31,317 and \$81,606, 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 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 December 6, 2021, and the registration procedures have been completed.

For the six months ended June 30, 2022 and 2021, the convertible bonds issued by the Company amounting to \$721 and \$132,947, respectively, were converted into 72 and 13,295 thousand shares of common stock, respectively. As of June 30, 2022 and 2021, for the 61 and 13,295 thousand shares, respectively, the related registration procedures have not been completed.

2. Capital surplus

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

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Additional paid-in capital	\$ 45,963	126,946	124,097
Gain on disposal of assets	100,063	100,063	100,063
Conversion of convertible bonds	10,915	10,960	11,232
Other — disgorgement	18	18	18
	<u>\$ 156,959</u>	<u>237,987</u>	<u>235,410</u>

The shareholders' meeting resolved on June 15, 2022 to issue new shares by its capital surplus in the amount of \$81,606 (NT\$ 0.542 per share).

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).

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.

(Continued)

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

The Company's dividend policy is based on the principle of stability and balance. In addition to considering the profit of the shareholders, the Company shall take into account the impact of the Company's operations. The Company allocates the at least 50% annual distributable surplus to shareholders' dividend according to factors such as financial, business and operational aspects. The distribution of surplus is prioritized by cash dividends and may also be distributed by stock dividends. However, the proportion of stock dividends shall not be higher than 50% of the total dividends.

The amount of cash dividends and appropriations of earnings for 2021 had been approved in the board meeting held on February 23, 2022. The amount of shares dividends and appropriations of earnings for 2021 had been resolved through the shareholders' meeting on June 15, 2022. The amount of cash dividends (recorded as other payables) and appropriations of earnings for 2020 had been approved in the board meeting held on February 23, 2021. The amount of shares dividends and appropriations of earnings for 2020 had been resolved through the shareholders' meeting on August 25, 2021. These earnings were appropriated as follows:

	Unit per share: dollar			
	2021		2020	
	<u>TWD/per share</u>	<u>Amount</u>	<u>TWD/per share</u>	<u>Amount</u>
Dividends distributed to ordinary shareholders				
Cash	\$ 0.25	37,641	0.15	19,676
Shares	0.208	<u>31,317</u>	0.14	<u>18,364</u>
Total		<u>\$ 68,958</u>		<u>38,040</u>

4. Other equity (net of tax)

	<u>Exchange differences on translation of foreign financial statements</u>	<u>Gains (losses) on hedging instruments</u>	<u>Total</u>
Balance at January 1, 2022	\$ (129)	(484)	(613)
Exchange differences on foreign operations	177	-	177
Changes in fair value of hedging instrument	-	8,342	8,342
Changes in fair value of hedging instrument reclassified to inventories	-	(4,355)	(4,355)
Balance at June 30, 2022	<u>\$ 48</u>	<u>3,503</u>	<u>3,551</u>
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>

(Continued)

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, 2022 and 2021, the Company's earnings per share were calculated as follows:

	Unit of share: thousand			
	April to June, 2022	April to June, 2021	January to June, 2022	January to June, 2021
Basic earnings per share				
Profit attributable to common shareholders of the Company	\$ <u>16,515</u>	<u>36,054</u>	<u>2,607</u>	<u>60,077</u>
Weighted-average number of shares	<u>150,586</u>	<u>140,012</u>	<u>150,576</u>	<u>138,486</u>
	<u>\$ 0.11</u>	<u>0.26</u>	<u>0.02</u>	<u>0.43</u>
Diluted earnings per share				
Profit attributable to common shareholders of the Company	\$ 16,515	36,054	2,607	60,077
Effect of dilutive ordinary shares:				
Convertible bonds	<u>1,037</u>	<u>999</u>	<u>-</u>	<u>2,897</u>
Profit attributable to common shareholders of the Company (diluted)	<u>\$ 17,552</u>	<u>37,053</u>	<u>2,607</u>	<u>62,974</u>
Weighted-average number of shares	150,586	140,012	150,576	138,486
Effect of dilutive ordinary shares:				
Remuneration to employees	4	60	29	72
Convertible bonds	<u>13,389</u>	<u>23,247</u>	<u>-</u>	<u>24,773</u>
Weighted-average number of shares (diluted)	<u>163,979</u>	<u>163,319</u>	<u>150,605</u>	<u>163,331</u>
	<u>\$ 0.11</u>	<u>0.23</u>	<u>0.02</u>	<u>0.39</u>

For the six months ended June 30, 2022, there is an anti-diluted effect on convertible bonds.

On June 15, 2022, the shareholders' meeting resolved to issue 11,292 thousand new shares by its earnings and capital surplus in the amount of \$31,317 and \$81,606, 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, 2022	January to June, 2021
Basic earnings per share	<u>\$ 0.02</u>	<u>0.40</u>
Diluted earnings per share	<u>\$ 0.02</u>	<u>0.36</u>

(Continued)

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, 2022	April to June, 2021	January to June, 2022	January to June, 2021
<u>Primary geographical markets</u>				
Taiwan	\$ 849,450	935,105	1,656,369	1,746,950
Asia	117,775	62,363	153,108	113,920
Other	49,864	19,573	77,395	55,522
	<u>\$ 1,017,089</u>	<u>1,017,041</u>	<u>1,886,872</u>	<u>1,916,392</u>
<u>Major services and timing of revenue recognition</u>				
At a point in time				
Repair supply pricing	52,863	35,611	64,964	77,412
Outsourced repair and air material transaction	230,807	322,099	454,047	572,836
Subtotal	<u>283,670</u>	<u>357,710</u>	<u>519,011</u>	<u>650,248</u>
Over time				
Aircraft maintenance	319,411	192,789	518,319	368,313
Fleet maintenance	114,815	102,999	245,206	208,862
Components maintenance	299,193	363,543	604,336	688,969
Subtotal	<u>733,419</u>	<u>659,331</u>	<u>1,367,861</u>	<u>1,266,144</u>
Total	<u>\$ 1,017,089</u>	<u>1,017,041</u>	<u>1,886,872</u>	<u>1,916,392</u>

2. Contract balances

	June 30, 2022	December 31, 2021	June 30, 2021
Notes, trade and overdue receivables	\$ 1,094,318	1,420,423	1,427,564
Less: Loss allowance	(1,728)	(16,042)	(45,541)
Total	<u>\$ 1,092,590</u>	<u>1,404,381</u>	<u>1,382,023</u>
Contract assets – Maintenance service	<u>\$ 900,055</u>	<u>762,733</u>	<u>863,095</u>
Contract liabilities – Maintenance service	<u>\$ 24,176</u>	<u>6,959</u>	<u>5,036</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, 2022 and 2021 that were included in the contract liability balance at the beginning of the period were \$6,410 and \$5,276, 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.

(Continued)

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

3. Assets recognized from costs to obtain a contract

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Incremental costs of obtaining contracts— non-current	\$ 59,940	61,074	59,317
Less: accumulated amortization	<u>(53,511)</u>	<u>(51,420)</u>	<u>(44,910)</u>
Total	<u>\$ 6,429</u>	<u>9,654</u>	<u>14,407</u>

The related expenses of 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 \$1,612, \$3,244, \$3,225 and \$6,488 were recognized for the three months and six months ended June 30, 2022 and 2021.

(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 \$67, \$771, \$67 and \$1,381 for the three-months and six-months ended June 30, 2022 and 2021, 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, 2021 and 2020, the remunerations to employees amounted to \$1,591 and \$678, 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 June, 2022</u>	<u>April to June, 2021</u>	<u>January to June, 2022</u>	<u>January to June, 2021</u>
Government grants	\$ -	48,334	-	78,893
Rent income	347	347	695	695
Other income—others	<u>7,841</u>	<u>1,573</u>	<u>9,793</u>	<u>4,500</u>
	<u>\$ 8,188</u>	<u>50,254</u>	<u>10,488</u>	<u>84,088</u>

The Group received a wage subsidy and working capital subsidy of \$78,893 for the six months ended June 30, 2021. This is a relief measure provided by the R.O.C government in response to the Covid-19 pandemic. The Group has the right to receive the grant because it has met the application requirements of the aforementioned wage subsidy and working capital subsidy relief measure. This

(Continued)

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

grant was recognized in profit or loss under other income. As of June 30, 2021, the receivables related to this grant was fully received.

2. Other gains and losses

	<u>April to June, 2022</u>	<u>April to June, 2021</u>	<u>January to June, 2022</u>	<u>January to June, 2021</u>
Gains on disposals of property, plant and equipment	\$ 11	-	11	-
Foreign exchange gains, net	2,040	2,761	6,633	9,686
Gains (losses) on valuation of financial assets at fair value through profit or loss	(247)	748	(243)	538
Handing fees	(2,835)	(2,432)	(5,505)	(4,794)
Others	(5)	(12)	(5)	(12)
	<u>\$ (1,036)</u>	<u>1,065</u>	<u>891</u>	<u>5,418</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(w) of the consolidated financial statements for the year ended December 31, 2021.

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, 2022, December 31 and June 30, 2021, a few customers of the Group accounted for 82%, 74% and 88%, 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, 2022 and 2021. 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.

(Continued)

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

2. Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
June 30, 2022						
Non-derivative financial liabilities						
With floating interest rates	\$ 961,250	971,173	760,859	108,627	101,687	-
With fixed interest rates	1,085,949	1,094,648	936,042	-	158,606	-
Non-interest-bearing liabilities	570,896	570,896	570,896	-	-	-
Lease liabilities	240,206	258,895	22,206	16,961	48,854	170,874
	<u>\$ 2,858,301</u>	<u>2,895,612</u>	<u>2,290,003</u>	<u>125,588</u>	<u>309,147</u>	<u>170,874</u>
December 31, 2021						
Non-derivative financial liabilities						
With floating interest rates	\$ 778,750	787,405	489,854	177,894	119,657	-
With fixed interest rates	1,184,965	1,193,993	1,193,993	-	-	-
Non-interest-bearing liabilities	543,491	543,491	543,491	-	-	-
Lease liabilities	248,531	264,608	19,441	17,313	48,843	179,011
Derivative financial liabilities						
Forward exchange contracts:						
Outflow	639	196,773	196,773	-	-	-
Inflow	-	(196,134)	(196,134)	-	-	-
	<u>\$ 2,756,376</u>	<u>2,790,136</u>	<u>2,247,418</u>	<u>195,207</u>	<u>168,500</u>	<u>179,011</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	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>

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

(Continued)

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

3. Market risk

(i) Currency risk

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

	<u>June 30, 2022</u>			<u>December 31, 2021</u>			<u>June 30, 2021</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	\$ 7,335	29.72	217,998	7,939	27.68	219,752	1,859	27.86	51,786
<u>Non-monetary items</u>									
USD	4,430	29.72	131,660	637	27.68	17,632	3,550	27.86	98,903
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	7,763	29.72	230,725	5,271	27.68	145,901	7,852	27.86	218,755
<u>Non-monetary items</u>									
USD	-	-	-	7,095	27.68	196,390	-	-	-

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.

As of June 30, 2022 and 2021, 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 \$102 and \$1,336, respectively, and the equity will increase or decrease by \$35 and \$2 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:

	<u>January to June, 2022</u>		<u>January to June, 2021</u>	
	<u>Exchange gain (loss)</u>	<u>Average rate</u>	<u>Exchange gain (loss)</u>	<u>Average rate</u>
NTD	\$ <u>6,633</u>	-	<u>9,686</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.

(Continued)

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

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

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

There was no reclassification of levels during the six months ended June 30, 2022 and 2021.

(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(x) of the consolidated financial statements for the year ended December 31, 2021.

(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, 2021. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2021. Please refer to note 6(y) of the consolidated financial statements for the year ended December 31, 2021 for further details.

(Continued)

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

(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, 2022 and 2021, please refer to note 6(h).

The convertible bonds issued by the Group were converted into common stock in the six months ended June 30, 2022 and 2021, please refer to note 6(r).

Reconciliation of liabilities arising from financing activities was as follows:

	<u>January 1, 2022</u>	<u>Cash flows</u>	<u>Non-cash changes</u>	<u>June 30, 2022</u>
Short-term loans	\$ 410,000	270,000	-	680,000
Short-term notes payable	949,203	(99,393)	-	849,810
Long-term loans (included in current portion)	368,750	(87,500)	-	281,250
Bonds payable (included in current portion)	235,762	-	377	236,139
Lease liabilities	<u>248,531</u>	<u>(6,624)</u>	<u>(1,701)</u>	<u>240,206</u>
Total liabilities from financing activities	<u>\$ 2,212,246</u>	<u>76,483</u>	<u>(1,324)</u>	<u>2,287,405</u>
	<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>

(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

(Continued)

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

(b) Significant transactions with related parties

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

	April to June, 2022	April to June, 2021	January to June, 2022	January to June, 2021
Other related parties	\$ <u>61</u>	<u>64</u>	<u>252</u>	<u>107</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 June 30, 2022, December 31 and June 30, 2021, the receivables from related parties were \$0, \$26 and \$32, respectively, which recorded as trade receivables.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	April to June, 2022	April to June, 2021	January to June, 2022	January to June, 2021
Short-term employee benefits	\$ 4,132	3,727	8,234	7,458
Post-employment benefits	170	152	339	304
	<u>\$ 4,302</u>	<u>3,879</u>	<u>8,573</u>	<u>7,762</u>

(8) Assets pledged as security

The carrying amounts of assets pledged as security were as follows:

Assets pledged as security	Liabilities secured by pledge	June 30, 2022	December 31, 2021	June 30, 2021
Refundable deposits – current	Guarantee deposits and customs bond	\$ 95,965	92,062	84,216
Refundable deposits – non-current (Note)	Guarantee deposits	26,672	26,762	26,699
Land	Short-term loans	255,076	255,076	255,076
Buildings and structures	Short-term loans	203,998	209,648	216,136
		<u>\$ 581,711</u>	<u>583,548</u>	<u>582,127</u>

Note: recorded as other non-current assets.

(9) Significant Commitments and Contingencies

(a) Unrecognized contractual commitments

1. As of June 30, 2022, December 31 and June 30, 2021, the maintenance bond and customs bond offered by banks amounted to \$1,984,488, \$1,925,228 and \$1,924,218, respectively.

2. The Group signed contracts with domestic vendors for building property, plant and equipment. As of June 30, 2022 and December 31, 2021, the contracts amounted to \$323,529 and the unpaid payment was \$297,397 and \$314,886, respectively.

(b) Contingencies: None.

(Continued)

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

(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 June 30,					
		2022			2021		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		144,340	30,385	174,725	139,343	34,940	174,283
Labor and health insurance		14,353	2,687	17,040	13,754	2,753	16,507
Pension		7,628	1,558	9,186	7,465	1,792	9,257
Others		8,305	1,681	9,986	6,898	1,420	8,318
Depreciation(Note)		20,261	1,566	21,827	18,652	1,148	19,800
Amortization		1,241	178	1,419	972	136	1,108

By item	By function	For the six months ended June 30,					
		2022			2021		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		285,870	57,502	343,372	278,408	66,123	344,531
Labor and health insurance		28,904	5,487	34,391	27,817	5,586	33,403
Pension		15,459	2,769	18,228	15,017	3,275	18,292
Others		17,068	3,122	20,190	15,421	2,841	18,262
Depreciation(Note)		40,417	3,005	43,422	37,435	2,288	39,723
Amortization		2,480	249	2,729	1,867	168	2,035

Note : The covid-19-related rent concessions of \$813, \$813, \$1,684 and \$1,627 were recognized as deduction of depreciation expenses for the three months and six months ended June 30, 2022 and 2021, 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, 2022:

(Continued)

AIR ASIA CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (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:

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The company	Administration building	2021.12.17	285,672	Based on the construction progress	Sheng Guan construction Co., Ltd	Non-related parties	Not applicable	Not applicable	Not applicable	Not applicable	Market price	For the future operational use	None
"	"	2020.4.10	15,000	"	Y.C.Tsai Architect & Associates Creative Decoration Co., Ltd	"	"	"	"	"	"	"	"
"	"	2020.11.23	22,857	"	"	"	"	"	"	"	"	"	"

- (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, 2022 (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, 2022			Net income (loss) of investee	Investment income (loss) recognized	Remark
			June 30, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Air Asia Company Ltd. (USA)	Logistic service	6,699	6,699	10	100 %	3,193	(45)	(45)	(Note)

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

(Continued)

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

(c) Information on investment in Mainland China:None.

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Taiwan Aerospace Corporation		95,842,580	63.62 %
Taiwan Sugar Corporation		18,511,547	12.28 %

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

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

(14) Segment information:

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

(Continued)