

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
AIR ASIA CO., LTD.

Parent Company Only Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2023 and 2022

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The independent auditors' report and the accompanying parent company only 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' report and parent company only financial statements, the Chinese version shall prevail.

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Independent Auditors' Report

To the Board of Directors of AIR ASIA CO., LTD.:

Opinion

We have audited the financial statements of AIR ASIA CO., LTD. (“the Company”), which comprise the balance sheet as of December 31, 2023 and 2022, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition

Please refer to Note 4(n) “Revenue recognition”, Note 5(a) “Significant accounting assumptions and judgments, and major sources of estimation uncertainty”, and Note 6(u) “Revenue from contracts with customers” to the financial statements.

Description of key audit matter:

Parts of the Company's aircraft maintenance service and aircraft business maintenance management contracts recognize revenue when a performance obligation was satisfied over time. This method calculates the percentage of completion based on the goods and services transferred to the customer. As measuring the progress towards complete satisfaction of the performance obligation involves management's material judgement, we determined that the assessment of revenue recognition was one of the key areas our audit focused on.

How the matter was addressed in our audit procedures:

- Assessing and testing the effectiveness of the internal control design and execution regarding revenue recognition.
- Selecting material contracts as samples, inspecting revenue recognition terms and conditions of contracts, testing the material requisition record and employee time record to verify the correctness of actual input and verifying the correctness of the amount of revenue recognized.
- Sampling and performing a retrospective review to comparatively analyze the historical accuracy of judgments with reference to actual revenue in order to assess the rationality of the judgement and assumptions of the current period.
- Assessing whether the disclosure of revenue recognition was appropriate.

2. Valuation for inventories

Please refer to Note 4(g) “Inventories”, Note 5(b) “Significant accounting assumptions and judgments, and major sources of estimation uncertainty”, and Note 6(e) “Inventories” to the financial statements.

Description of key audit matter:

The maintenance materials prepared by the Company to meet customer needs may lose their original benefits due to the obsolescence of aircraft models, resulting in a risk wherein the carrying value of inventories may exceed its net realizable value. Therefore, we determined that the assessment of valuation of inventories was one of the key areas our audit focused on.

How the matter was addressed in our audit procedures:

- Understanding the net realizable value used by management for inventory valuation, as well as sampling and verifying the original transaction vouchers to test the rationality of the net realizable value of inventory.
- Inspecting the inventory aging report, analyzing the changes of inventory aging, as well as sampling and checking the accuracy of the inventory aging report.
- Performing a retrospective review to comparatively analyze the historical accuracy of judgments with reference to actual disposal in order to assess the rationality of the judgement and assumptions of the current period.
- Assessing whether the disclosure of provision for inventory and obsolescence was appropriate.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company’s financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



The engagement partners on the audit resulting in this independent auditors' report are Su, Yen-Ta and Chen, Kuo-Tsung.

KPMG

Taipei, Taiwan (Republic of China)
February 29, 2024.

Notes to Readers

The accompanying parent company only financial statements are intended only to present the 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 audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying parent company only 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' report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
AIR ASIA CO., LTD.

Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2023		December 31, 2022		Liabilities and Equity		December 31, 2023		December 31, 2022	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note (6)(a))	\$ 251,055	5	249,647	5	2100	Short-term loans (notes (6)(l))	\$ 730,000	13	1,125,000	23
1110	Financial assets at fair value through profit or loss— current (note (6)(m))	-	-	15	-	2110	Short-term notes payable (note (6)(k))	-	-	549,704	11
1139	Financial assets for hedging— current (notes (6)(b))	793	-	2,112	-	2126	Financial liabilities for hedging— current (note (6)(b))	5,235	-	1,634	-
1140	Contract assets— current (notes (6)(u))	1,181,069	21	913,851	19	2130	Contract liabilities— current (note (6)(u))	51,585	1	8,597	-
1170	Notes and trade receivables, net (notes (6)(c), (u) and (7))	1,445,016	26	1,208,472	25	2170	Trade payables	322,617	6	389,356	8
1200	Other receivables (note (6)(d))	2,119	-	5,480	-	2200	Other payables	260,342	5	259,206	6
130X	Inventories (notes (6)(b) and (e))	1,051,800	19	1,191,766	24	2250	Provisions— current (note (6)(n))	29,651	1	17,412	-
1410	Prepayments (note (6)(f))	141,324	3	112,080	2	2280	Lease liabilities— current (note (6)(o))	21,277	-	19,226	-
1478	Refundable deposits— current (note (8))	113,866	2	57,109	1	2320	Current portion of long-term loans (notes (6)(l))	134,750	2	100,000	2
1479	Other current assets	29,387	1	5,194	-	2399	Other current liabilities	14,553	-	8,892	-
	Total current assets	<u>4,216,429</u>	<u>77</u>	<u>3,745,726</u>	<u>76</u>		Total current liabilities	<u>1,570,010</u>	<u>28</u>	<u>2,479,027</u>	<u>50</u>
Non-current assets:						Non-Current liabilities:					
1550	Investments accounted for using equity method	3,164	-	3,261	-	2530	Bonds payable(note (6)(m))	-	-	149,673	3
1600	Property, plant and equipment (notes (6)(g) and (8))	756,171	14	712,288	15	2540	Long-term loans (note (6)(l))	271,000	5	143,750	3
1755	Right-of-use assets (note (6)(h))	244,666	5	264,922	6	2570	Deferred tax liabilities (notes (6)(q))	-	-	515	-
1780	Intangible assets (note (6)(i))	14,509	-	15,957	-	2580	Lease liabilities— non-current (note (6)(o))	202,010	4	213,494	5
1840	Deferred tax assets (note (6)(q))	53,944	1	65,192	1		Total non-current liabilities	<u>473,010</u>	<u>9</u>	<u>507,432</u>	<u>11</u>
1955	Incremental costs of obtaining contracts— non-current (note (6)(u))	13,428	-	15,253	-		Total liabilities	<u>2,043,020</u>	<u>37</u>	<u>2,986,459</u>	<u>61</u>
1990	Other non-current assets (notes (6)(g), (i), (j) and (8))	174,680	3	88,338	2	Equity attributable to owners of the Company (notes (6)(b), (m), (q), (r) and (s)):					
	Total non-current assets	<u>1,260,562</u>	<u>23</u>	<u>1,165,211</u>	<u>24</u>	3110	Common stock	2,094,382	38	1,620,478	33
						3200	Capital surplus	1,153,005	21	157,815	3
							Retained earnings:				
						3310	Legal reserve	132,869	3	131,520	3
						3320	Special reserve	-	-	613	-
						3350	Unappropriated retained earnings	57,135	1	13,537	-
								<u>190,004</u>	<u>4</u>	<u>145,670</u>	<u>3</u>
						3400	Other equity	(3,420)	-	515	-
							Total equity	<u>3,433,971</u>	<u>63</u>	<u>1,924,478</u>	<u>39</u>
							Total liabilities and equity	<u>\$ 5,476,991</u>	<u>100</u>	<u>4,910,937</u>	<u>100</u>
	Total assets	<u>\$ 5,476,991</u>	<u>100</u>	<u>4,910,937</u>	<u>100</u>						

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
AIR ASIA CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

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

	2023		2022	
	Amount	%	Amount	%
4000 Operating revenue (notes (6)(u) and 7)	\$ 4,863,682	100	4,069,229	100
5000 Operating costs (notes (6)(b), (e), (g), (o), (p), (s), (u), (v), (7) and (12))	4,526,256	93	3,818,161	94
5900 Gross profit	<u>337,426</u>	<u>7</u>	<u>251,068</u>	<u>6</u>
6000 Operating expenses (notes (6)(c), (o), (p), (s), (v), (7) and (12)):				
6100 Selling expenses	66,005	1	58,478	1
6200 Administrative expenses (including covid-19-related rent concessions of \$0 and \$3,312)	170,232	4	154,534	4
6300 Research and development expenses	2,073	-	-	-
6450 Expected credit losses (profit)	<u>3,905</u>	<u>-</u>	<u>(567)</u>	<u>-</u>
	<u>242,215</u>	<u>5</u>	<u>212,445</u>	<u>5</u>
6900 Operating income	<u>95,211</u>	<u>2</u>	<u>38,623</u>	<u>1</u>
7000 Non-operating income and expenses (notes (6)(g), (m), (o) and (w)):				
7100 Interest income	6,556	-	1,828	-
7010 Other income	11,921	-	16,344	-
7020 Other gains and losses	(3,736)	-	(9,063)	-
7050 Interest expense	(41,017)	(1)	(30,951)	(1)
7070 Share of loss of associates accounted for using equity method	<u>(98)</u>	<u>-</u>	<u>(84)</u>	<u>-</u>
	<u>(26,374)</u>	<u>(1)</u>	<u>(21,926)</u>	<u>(1)</u>
7900 Profit before tax	68,837	1	16,697	-
7950 Less: income tax expenses (note (6)(q))	<u>11,717</u>	<u>-</u>	<u>3,208</u>	<u>-</u>
8200 Net profit	<u>57,120</u>	<u>1</u>	<u>13,489</u>	<u>-</u>
8300 Other comprehensive income (notes (6)(b), (q) and (r)):				
8310 Components of other comprehensive income that will not be reclassified to profit or loss				
8317 Gains on hedging instruments	12,476	-	12,700	-
8349 Less: income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>(984)</u>	<u>-</u>	<u>217</u>	<u>-</u>
	<u>13,460</u>	<u>-</u>	<u>12,483</u>	<u>-</u>
8360 Components of other comprehensive income that will be reclassified to profit or loss				
8361 Exchange differences on translation of foreign financial statements	1	-	328	-
8399 Less: income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>66</u>	<u>-</u>
	<u>1</u>	<u>-</u>	<u>262</u>	<u>-</u>
8300 Other comprehensive income, net	<u>13,461</u>	<u>-</u>	<u>12,745</u>	<u>-</u>
8500 Total comprehensive income	<u>\$ 70,581</u>	<u>1</u>	<u>26,234</u>	<u>-</u>
	Earnings per share (note (6)(t)) (in New Taiwan dollars)			
9750 Basic earnings per share	<u>\$ 0.31</u>		<u>0.08</u>	
9850 Diluted earnings per share	<u>\$ 0.31</u>		<u>0.08</u>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
AIR ASIA CO., LTD.

Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings					Other equity			
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Gains (losses) on hedging instruments	Total	Total equity
Balance at January 1, 2022	\$ 1,505,641	237,987	123,822	58	77,259	(129)	(484)	(613)	1,944,154
Net profit	-	-	-	-	13,489	-	-	-	13,489
Other comprehensive income	-	-	-	-	-	262	12,483	12,745	12,745
Total comprehensive income	-	-	-	-	13,489	262	12,483	12,745	26,234
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	1,914	1,434	-	-	-	-	-	-	3,348
Changes in fair value of hedging instrument reclassified to inventories	-	-	-	-	-	-	(11,617)	(11,617)	(11,617)
Balance at December 31, 2022	1,620,478	157,815	131,520	613	13,537	133	382	515	1,924,478
Net profit	-	-	-	-	57,120	-	-	-	57,120
Other comprehensive income	-	-	-	-	-	1	13,460	13,461	13,461
Total comprehensive income	-	-	-	-	57,120	1	13,460	13,461	70,581
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	1,349	-	(1,349)	-	-	-	-
Special reserve reversed	-	-	-	(613)	613	-	-	-	-
Cash dividends	-	-	-	-	(12,786)	-	-	-	(12,786)
Cash dividends distributed from capital surplus	-	(45,552)	-	-	-	-	-	-	(45,552)
Cash capital increase	380,000	945,811	-	-	-	-	-	-	1,325,811
Share-based payment	-	38,366	-	-	-	-	-	-	38,366
Conversion of convertible bonds	93,904	56,565	-	-	-	-	-	-	150,469
Changes in fair value of hedging instrument reclassified to inventories	-	-	-	-	-	-	(17,396)	(17,396)	(17,396)
Balance at December 31, 2023	\$ 2,094,382	1,153,005	132,869	-	57,135	134	(3,554)	(3,420)	3,433,971

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
AIR ASIA CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from (used in) operating activities:		
Profit before tax	\$ 68,837	16,697
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	92,997	86,916
Amortization expense	6,605	8,178
Expected credit losses (profit)	3,905	(567)
Losses (gains) on valuation of financial assets at fair value through profit or loss	(45)	290
Interest expense	41,017	30,951
Interest income	(6,556)	(1,828)
Share of loss of associates accounted for using equity method	98	84
Gains on disposal of property, plant and equipment	(315)	(39)
Property, plant and equipment transferred to operating costs	-	2
Gains on lease modification	-	(2)
Shared-based compensation	38,366	-
Unrealized foreign exchange losses (gains)	1,961	(1,737)
Total adjustments to reconcile profit	178,033	122,248
Changes in operating assets and liabilities:		
Changes in operating assets:		
Increase in contract assets – current	(267,218)	(151,118)
Decrease (increase) in notes and trade receivables, net	(242,409)	196,164
Decrease (increase) in other receivables	4,083	(4,246)
Decrease (increase) in inventories	139,966	(203,933)
Increase in prepayments	(29,244)	(31,225)
Increase in other current assets	(24,193)	(4,277)
Decrease (increase) in incremental costs of obtaining contracts – non-current	1,825	(5,599)
Total changes in operating assets	(417,190)	(204,234)
Changes in operating liabilities:		
Increase in contract liabilities – current	42,988	1,638
Increase (decrease) in trade payables	(64,644)	131,711
Decrease in other payables	(364)	(29,001)
Increase (decrease) in provisions – current	12,239	(4,824)
Increase (decrease) in other current liabilities	5,661	(1,801)
Total changes in operating liabilities	(4,120)	97,723
Net changes in operating assets and liabilities	(421,310)	(106,511)
Total adjustments	(243,277)	15,737
Cash generated from (used in) operations	(174,440)	32,434
Interest received	6,387	1,771
Interest paid	(40,007)	(27,717)
Income tax refund (paid)	(555)	69
Net cash generated from (used in) operating activities	(208,615)	6,557
Cash flows from (used in) investing activities:		
Decrease (increase) in refundable deposits	(74,877)	35,168
Acquisition of property, plant and equipment	(62,525)	(85,633)
Proceeds from disposal of property, plant and equipment	315	39
Acquisition of intangible assets	(5,157)	(6,649)
Increase in other non-current assets	(113,462)	(56,478)
Net cash used in investing activities	(255,706)	(113,553)
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	(395,000)	715,000
Decrease in short-term notes payable	(549,704)	(399,499)
Repayments of bonds	-	(85,400)
Proceeds from long-term loans	562,000	450,000
Repayments of long-term loans	(400,000)	(575,000)
Payment of lease liabilities	(16,919)	(27,914)
Cash dividends	(58,338)	(37,641)
Cash capital increase	1,325,811	-
Net cash generated from financing activities	467,850	39,546
Effects of exchange rate changes on balance of cash held in foreign currencies	(2,121)	1,301
Net increase (decrease) in cash and cash equivalents	1,408	(66,149)
Cash and cash equivalents at the beginning of year	249,647	315,796
Cash and cash equivalents at end of year	\$ 251,055	249,647

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
AIR ASIA CO., LTD.

Notes to the Parent Company Only Financial Statements

For the years ended December 31, 2023 and 2022

(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 Company’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 financial statements:

The parent company only financial statements were authorized for issuance by the Board of the Company on February 29, 2024.

(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. which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The Company has initially adopted the following new amendment, which do not have a significant impact on its financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

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

The Company does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its 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”
- Amendments to IAS21 “Lack of Exchangeability”

(4) Summary of material policies:

The material accounting policies presented in the financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

(a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”).

(b) Basis of preparation

1. Basis of measurement

Except for the following significant accounts, the financial statements have been prepared on a historical cost basis:

- (i) Financial instruments at fair value through profit or loss are measured at fair value;
- (ii) Hedging financial instruments are measured at fair value.

2. Functional and presentation currency

The financial statements are presented in New Taiwan Dollar (NTD), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Foreign currencies

1. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

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Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- (i) an investment in equity securities designated as at fair value through other comprehensive income;
- (ii) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- (iii) qualifying cash flow hedges to the extent that the hedges are effective.

2. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as noncurrent.

1. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is expected to be realized within twelve months after the reporting period; or
4. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as noncurrent.

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An entity shall classify a liability as current when:

1. It is expected to be settled in the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is due to be settled within twelve months after the reporting period; or
4. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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(i) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(ii) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or fair value through other comprehensive income (FVOCI) described as above (e.g. financial assets held for trading and those that are managed and whose performance is evaluated on a fair value basis) are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(iii) Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

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- how managers of the business are compensated — e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Company's continuing recognition of the assets.

(iv) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows ;
- terms that may adjust the contractual coupon rate, including variable rate features ;
- prepayment and extension features ; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features) .

(v) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and trade receivables, other receivables and refundable deposit) and contract assets.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date ; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 1 year past due or the debtor is unlikely to pay its credit obligations to the Company in full.

The Company considers a time deposit (recorded as refundable deposit) to have low credit risk when only deal with financial institutions with good credit rating.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer ;
- a breach of contract such as a default or being more than 1 year past due ;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider ;
- it is probable that the borrower will enter bankruptcy or other financial reorganization ; or
- the disappearance of an active market for a security because of financial difficulties.

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Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due. Based on its experience, there have been no corporate customer recoveries after 1 year past due.

(vi) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(2) Financial liabilities and equity instruments

(i) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(ii) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

(iii) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

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(iv) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

(v) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(vi) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(vii) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

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(3) Derivative financial instruments and hedge accounting

The Company 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 Company 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 Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in 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 Company 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 Company 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.

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(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investments in subsidiaries

When preparing the parent company only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognized its share in the changes in the equity of subsidiaries. In subsidiaries which are controlled by the Company is accounted for preparing the consolidated statement by each period.

Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity.

(i) Property, plant and equipment

1. Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

2. Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

3. Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

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The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

(i) Buildings and structures	3~50 years
(ii) Machinery and equipment	2~20 years
(iii) Transportation equipment	2~20 years
(iv) Office equipment	2~15 years

Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(j) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(a) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

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The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise an extension or termination option; or
- there is any lease modification.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

If an arrangement contains lease and non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including land, business premises, staff dormitory, and part of transportation equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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

- the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

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- any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2022; and
- there is no substantive change in other terms and conditions of the lease.

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

(b) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(k) **Intangible assets**

1. Recognition and measurement

Except for goodwill, intangible assets are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

2. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

3. Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

- | | |
|----------------------------------|------------|
| (i) Software | 1~10 years |
| (ii) Acquired special technology | 1 years |

Amortization methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

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(l) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs) .

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Provisions

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(n) Revenue recognition

1. Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

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(1) Sale of goods

The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

(2) Maintenance services

The Company provides aircraft maintenance services and related components. Revenue from providing services is recognized in the accounting period in which the services are rendered. The consideration promised in the contract includes fixed and variable amounts. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. The proportion of services provided is determined based on the actual maintenance hours spent relative to the total expected maintenance hours. The variable consideration is generally made and adjusted based on historical experience and any other known factors that would significantly affect the variable consideration.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Company exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

The Company offers a standard warranty for aircraft maintenance services and related components to provide assurance that the service complies with the agreed upon specifications and has recognized warranty provisions for this obligation.

(3) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

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AIR ASIA CO., LTD.
Notes to the Parent Company Only Financial Statements

2. Contract costs

(1) Incremental costs of obtaining a contract

The Company recognizes as an asset the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Company applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

(2) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Company recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- (i) the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify;
- (ii) the costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- (iii) the costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Company cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), the Company recognizes these costs as expenses when incurred.

(o) **Employee benefits**

1. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

2. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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AIR ASIA CO., LTD.
Notes to the Parent Company Only Financial Statements

(p) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Grant date of a share-based payment award is the date which the number of shares purchased by the employees was confirmed.

(q) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainly related to income tax, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

1. temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction (i) affects neither accounting nor taxable profits (losses) and (ii) does not give rise to equal taxable and deductible temporary differences;
2. temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
3. taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

(Continued)

AIR ASIA CO., LTD.
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Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

1. the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
2. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(r) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible bonds and employee compensation.

(s) Operating segments

The company discloses the operating segment information in the consolidated financial statements. Therefore, the Company does not disclose the operating segment information in the parent company only financial statements.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

In preparing these financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

The Company is likely to be facing economic, such as COVID-19, Ukraine—Russia conflict and inflation. Those events may have a significant impact in the next financial year on the following accounting estimates, which depend on the future forecasts.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows:

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AIR ASIA CO., LTD.
Notes to the Parent Company Only Financial Statements

(a) Revenue recognition

The Company estimates the amount of variable consideration using the expected value method or the most likely amount and recognizes it as deduction of revenue in the same period the related revenue is recorded. The variable consideration is generally made and adjusted based on historical experience and any other known factors that would significantly affect the variable consideration. The adequacy of estimations is reviewed periodically. The delivery schedule of maintenance materials could result in significant adjustments to the estimation made.

Contract revenue are recognized by reference to the stage of completion of each contract. The stage of completion of a contract is measured based on the goods and services transferred to the customer. The difference between the input record of maintenance material requisition as well as employee time and the actual acceptance, could result in significant adjustments to the estimation made.

(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumption as to future demand within a specific time horizon. Due to the obsolescence of aircraft models, there may be significant changes in the net realizable value of inventories. Please refer to note 6(e) for further description on the valuation of inventories.

(6) Explanation of significant accounts:

(a) **Cash and cash equivalents**

	December 31, 2023	December 31, 2022
Cash and cash on hand	\$ 849	824
Demand deposits	188,796	187,403
Time deposits	<u>61,410</u>	<u>61,420</u>
Cash and cash equivalents in the statement of cash flows	<u>\$ 251,055</u>	<u>249,647</u>

Please refer to note 6(x) 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:

	December 31, 2023	December 31, 2022
Financial assets for hedging – current:		
Forward exchange contracts	<u>\$ 793</u>	<u>2,112</u>
Financial liabilities for hedging – current:		
Forward exchange contracts	<u>\$ 5,235</u>	<u>1,634</u>

(Continued)

AIR ASIA CO., LTD.
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1. Cash flow hedge – forward exchange contracts

The Company'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 Company were as follows:

December 31, 2023				
	Contract Amount (in thousands)	Currency	Maturity dates	Average strike price
Forward exchange purchased	USD\$ <u>6,458</u>	TWD to USD	2024.1.10~2024.11.25	29.138~31.965
Forward exchange purchased	GBPS <u>952</u>	TWD to GBP	2024.3.25	39.42~39.559
December 31, 2022				
	Contract Amount (in thousands)	Currency	Maturity dates	Average strike price
Forward exchange purchased	USD\$ <u>7,056</u>	TWD to USD	2023.1.10~2023.12.11	28.422~31.96

2. The details arising from cash flow hedges for the years ended December 31, 2023 and 2022, were as follows:

Account Item	2023	2022
Recognized in other comprehensive income during the period	\$ <u>13,460</u>	\$ <u>12,483</u>
Reclassification from equity to decrease in inventories for the period	\$ <u>17,396</u>	\$ <u>11,617</u>

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

(c) **Notes and trade receivables**

	December 31, 2023	December 31, 2022
Notes receivable	\$ 372	250
Trade receivables (including from related parties)	1,448,938	1,209,349
Less: Loss allowance	(4,294)	(1,127)
Total	\$ <u>1,445,016</u>	\$ <u>1,208,472</u>

(Continued)

AIR ASIA CO., LTD.
Notes to the Parent Company Only Financial Statements

The Company 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 and trade 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:

	December 31, 2023		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
<u>Group 1</u>			
Current	\$ <u>1,350,572</u>	0.00%	<u>-</u>
<u>Group 2</u>			
Current	\$ 83,660	0%~1.09%	905
1 to 90 days past due	14,243	20.18%	2,874
91 to 180 days past due	-	-	-
181 to 270 days past due	535	50.98%	273
271 to 365 days past due	300	80.76%	242
More than 365 days past due	-	-	-
	<u>\$ 98,738</u>		<u>4,294</u>
	December 31, 2022		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
<u>Group 1</u>			
Current	\$ <u>1,164,460</u>	0.00%	<u>-</u>
<u>Group 2</u>			
Current	\$ 43,915	0.00%~0.81%	355
1 to 90 days past due	486	7.09%	34
91 to 180 days past due	-	-	-
181 to 270 days past due	-	-	-
271 to 365 days past due	-	-	-
More than 365 days past due	738	100.00%	738
	<u>\$ 45,139</u>		<u>1,127</u>

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AIR ASIA CO., LTD.
Notes to the Parent Company Only Financial Statements

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

	<u>2023</u>	<u>2022</u>
Balance at January 1	\$ 1,127	16,042
Impairment losses recognized	3,905	(567)
Amounts written off	<u>(738)</u>	<u>(14,348)</u>
Balance at December 31	<u><u>\$ 4,294</u></u>	<u><u>1,127</u></u>

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

(d) **Other receivables**

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other receivables—income taxes refund	\$ 751	196
Others	1,368	5,284
Less: Loss allowance	<u>-</u>	<u>-</u>
	<u><u>\$ 2,119</u></u>	<u><u>5,480</u></u>

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

(e) **Inventories**

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Repair materials and others	\$ 736,130	817,744
Finished goods	<u>315,670</u>	<u>374,022</u>
	<u><u>\$ 1,051,800</u></u>	<u><u>1,191,766</u></u>

The details of the cost of sales were as follows:

	<u>2023</u>	<u>2022</u>
Inventory that has been sold and service costs	\$ 4,358,624	3,655,469
Unallocated production overheads	123,797	143,131
Write-down of inventories	40,825	17,404
Write-off for inventories scrapped	2,551	2,393
Revenue from sale of scraps	-	(230)
Losses (gains) on physical inventory	<u>459</u>	<u>(6)</u>
	<u><u>\$ 4,526,256</u></u>	<u><u>3,818,161</u></u>

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

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(f) **Prepayments**

The details of the prepayments were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Prepayment of materials	\$ 123,221	93,809
Prepayment of bank performance guarantee fees	6,280	12,004
Prepayment – other	11,823	6,267
	<u>\$ 141,324</u>	<u>112,080</u>

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

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

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Transportation equipment</u>	<u>Construction in process and testing equipment</u>	<u>Total</u>
Cost or deemed cost:							
Balance at January 1, 2023	\$ 275,211	690,176	677,716	72,430	94,634	41,147	1,851,314
Additions	-	7,423	30,537	7,852	93	17,603	63,508
Disposals	-	(3,233)	(8,280)	(4,205)	-	-	(15,718)
Reclassification	-	29,484	16,146	-	-	-	45,630 (Note 1)
Balance at December 31, 2023	<u>\$ 275,211</u>	<u>723,850</u>	<u>716,119</u>	<u>76,077</u>	<u>94,727</u>	<u>58,750</u>	<u>1,944,734</u>
Balance at January 1, 2022	\$ 264,076	678,946	675,726	57,904	93,233	9,898	1,779,783
Additions	-	1,184	15,506	18,278	770	52,468	88,206
Disposals	-	(35)	(17,821)	(3,954)	-	-	(21,810)
Reclassification	11,135	10,081	4,305	202	631	(21,219)	5,135 (Note 2)
Balance at December 31, 2022	<u>\$ 275,211</u>	<u>690,176</u>	<u>677,716</u>	<u>72,430</u>	<u>94,634</u>	<u>41,147</u>	<u>1,851,314</u>
Accumulated depreciation and impairment loss:							
Balance at January 1, 2023	\$ -	444,395	580,366	48,801	65,464	-	1,139,026
Depreciation	-	18,546	34,170	7,747	4,792	-	65,255
Disposals	-	(3,233)	(8,280)	(4,205)	-	-	(15,718)
Balance at December 31, 2023	<u>\$ -</u>	<u>459,708</u>	<u>606,256</u>	<u>52,343</u>	<u>70,256</u>	<u>-</u>	<u>1,188,563</u>
Balance at January 1, 2022	\$ -	425,220	564,395	46,064	59,550	-	1,095,229
Depreciation	-	19,210	33,792	6,691	5,914	-	65,607
Disposals	-	(35)	(17,821)	(3,954)	-	-	(21,810)
Balance at December 31, 2022	<u>\$ -</u>	<u>444,395</u>	<u>580,366</u>	<u>48,801</u>	<u>65,464</u>	<u>-</u>	<u>1,139,026</u>
Carrying value:							
Balance at December 31, 2023	<u>\$ 275,211</u>	<u>264,142</u>	<u>109,863</u>	<u>23,734</u>	<u>24,471</u>	<u>58,750</u>	<u>756,171</u>
Balance at December 31, 2022	<u>\$ 275,211</u>	<u>245,781</u>	<u>97,350</u>	<u>23,629</u>	<u>29,170</u>	<u>41,147</u>	<u>712,288</u>
Balance at January 1, 2022	<u>\$ 264,076</u>	<u>253,726</u>	<u>111,331</u>	<u>11,840</u>	<u>33,683</u>	<u>9,898</u>	<u>684,554</u>

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AIR ASIA CO., LTD.
Notes to the Parent Company Only Financial Statements

Note 1 : The amount of \$45,630 transferred from other non-current assets— prepayment for equipment .

Note 2 : The amount of \$5,137 transferred from other non-current assets— prepayment for equipment and the amount of \$2 transferred to operating costs.

The capitalized borrowing costs related to the construction of the administration building amounted to \$410 and \$345, respectively, for the years ended December 31, 2023 and 2022, calculated using a capitalization rate of 1.86% and 1.31%, respectively.

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

(h) **Right-of-use assets**

The Company leases land, buildings and structures, machinery and transportation equipment. Information about leases for which the Company 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, 2023	\$ 281,689	46,602	-	8,204	336,495
Additions	132	1,054	-	6,300	7,486
Reduction	-	-	-	(5,368)	(5,368)
Balance at December 31, 2023	<u>\$ 281,821</u>	<u>47,656</u>	<u>-</u>	<u>9,136</u>	<u>338,613</u>
Balance at January 1, 2022	\$ 281,495	33,723	603	8,188	324,009
Additions	427	14,312	-	911	15,650
Reduction	(233)	(1,433)	(603)	(895)	(3,164)
Balance at December 31, 2022	<u>\$ 281,689</u>	<u>46,602</u>	<u>-</u>	<u>8,204</u>	<u>336,495</u>
Accumulated depreciation and impairment loss:					
Balance at January 1, 2023	\$ 59,260	6,621	-	5,692	71,573
Depreciation	14,963	9,867	-	2,912	27,742
Reduction	-	-	-	(5,368)	(5,368)
Balance at December 31, 2023	<u>\$ 74,223</u>	<u>16,488</u>	<u>-</u>	<u>3,236</u>	<u>93,947</u>
Balance at January 1, 2022	\$ 44,447	1,010	569	3,857	49,883
Depreciation	14,813	7,044	34	2,730	24,621
Reduction	-	(1,433)	(603)	(895)	(2,931)
Balance at December 31, 2022	<u>\$ 59,260</u>	<u>6,621</u>	<u>-</u>	<u>5,692</u>	<u>71,573</u>
Carrying value:					
Balance at December 31, 2023	<u>\$ 207,598</u>	<u>31,168</u>	<u>-</u>	<u>5,900</u>	<u>244,666</u>
Balance at December 31, 2022	<u>\$ 222,429</u>	<u>39,981</u>	<u>-</u>	<u>2,512</u>	<u>264,922</u>
Balance at January 1, 2022	<u>\$ 237,048</u>	<u>32,713</u>	<u>34</u>	<u>4,331</u>	<u>274,126</u>

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AIR ASIA CO., LTD.
Notes to the Parent Company Only Financial Statements

(i) **Intangible assets**

The details of intangible assets were as follows:

	<u>Acquired special technology</u>	<u>Software</u>	<u>Total</u>
Costs:			
Balance at January 1, 2023	\$ 5,037	17,804	22,841
Additions	-	5,157	5,157
Reduction	<u>(5,037)</u>	<u>(3,552)</u>	<u>(8,589)</u>
Balance at December 31, 2023	<u>\$ -</u>	<u>19,409</u>	<u>19,409</u>
Balance at January 1, 2022	\$ 11,922	19,582	31,504
Additions	5,695	954	6,649
Reduction	(6,800)	(2,732)	(9,532)
Reclassification	<u>(5,780)</u>	<u>-</u>	<u>(5,780)</u> (Note)
Balance at December 31, 2022	<u>\$ 5,037</u>	<u>17,804</u>	<u>22,841</u>
Accumulated amortization:			
Balance at January 1, 2023	\$ 4,087	2,797	6,884
Amortization for the year	950	5,655	6,605
Reduction	<u>(5,037)</u>	<u>(3,552)</u>	<u>(8,589)</u>
Balance at December 31, 2023	<u>\$ -</u>	<u>4,900</u>	<u>4,900</u>
Balance at January 1, 2022	\$ 8,275	2,853	11,128
Amortization for the year	5,502	2,676	8,178
Reduction	(6,800)	(2,732)	(9,532)
Reclassification	<u>(2,890)</u>	<u>-</u>	<u>(2,890)</u> (Note)
Balance at December 31, 2022	<u>\$ 4,087</u>	<u>2,797</u>	<u>6,884</u>
Carrying value:			
Balance at December 31, 2023	<u>\$ -</u>	<u>14,509</u>	<u>14,509</u>
Balance at December 31, 2022	<u>\$ 950</u>	<u>15,007</u>	<u>15,957</u>
Balance at January 1, 2022	<u>\$ 3,647</u>	<u>16,729</u>	<u>20,376</u>

Note : The net amount of \$2,890 transferred to other non-current assets — other.

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AIR ASIA CO., LTD.
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(j) **Other non-current assets**

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Prepayment for equipment	\$ 111,955	43,159
Refundable deposits – non-current	44,667	26,547
Other non-current assets – other	<u>18,058</u>	<u>18,632</u>
	<u>\$ 174,680</u>	<u>88,338</u>

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

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

The short-term notes payable were summarized as follows:

	<u>December 31, 2022</u>		
	<u>Guarantee or acceptance institution</u>	<u>Range of interest rates (%)</u>	<u>Amount</u>
Commercial paper payable	Ta Ching Bills		
	Finance Corporation	2.000%	\$ 100,000
	China Bills		
	Finance Corporation	2.038%	150,000
	Dah Chung Bills		
	Finance Corporation	1.800%	150,000
	International Bills		
	Finance Corporation	1.898%	100,000
	Union Bank Of Taiwan	1.838%	<u>50,000</u>
			550,000
Less: Discount of short-term notes payable			<u>(296)</u>
Total			<u>\$ 549,704</u>

There were no such transaction as of December 31, 2023.

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

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Unsecured bank loans – NTD	\$ 730,000	925,000
Secured bank loans – NTD	-	200,000
Long-term unsecured bank loans	<u>405,750</u>	<u>243,750</u>
Total	<u>\$ 1,135,750</u>	<u>1,368,750</u>

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AIR ASIA CO., LTD.
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	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current	\$ 864,750	1,225,000
Non-current	271,000	143,750
Total	<u>\$ 1,135,750</u>	<u>1,368,750</u>
Unused short-term loans credit lines	<u>\$ 730,000</u>	<u>435,000</u>
Unused long-term loans credit lines	<u>\$ 428,000</u>	<u>300,000</u>
Range of short-term loans interest rates	<u>1.6953%~1.8356%</u>	<u>1.427% ~ 1.954%</u>
Range of long-term loans interest rates	<u>1.9198%~2.003%</u>	<u>1.701% ~ 1.751%</u>
Long-term loans due year	<u>2024~2026</u>	<u>2024~2026</u>

Assets pledged are disclosed in note 8.

(m) **Bonds payable**

The details of unsecured convertible bonds were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Total convertible corporate bonds issued	\$ 300,000	500,000
Cumulative converted amount	(300,000)	(262,000)
Repayment of corporate bonds	-	(85,400)
Unamortized discounted corporate bonds payable	-	(2,927)
Corporate bonds issued balance at year-end	<u>\$ -</u>	<u>149,673</u>
Current	\$ -	-
Non-current	-	149,673
Total	<u>\$ -</u>	<u>149,673</u>
Embedded derivative – put and redeem options, included in financial assets at fair value through profit or loss	<u>\$ -</u>	<u>15</u>
Equity component – conversion options, included in capital surplus– conversion of convertible bonds	<u>\$ -</u>	<u>7,849</u>
	<u>2023</u>	<u>2022</u>
Embedded derivative – put and redeem options, included in gains(losses) on financial assets at fair value through profit or loss	<u>\$ 45</u>	<u>(290)</u>
Interest expense (effective interest rate of 1.28% and 1.28%~1.69%, respectively)	<u>\$ 856</u>	<u>2,659</u>

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1. On 9 July 2019, the Company issued the first unsecured domestic convertible bonds amounting to \$200,000. The major terms bonds are as follows:
 - (1) Interest rate: 0%.
 - (2) Issued period: Three years, from July 9, 2019 to July 9, 2022.
 - (3) Redemption on the maturity date: On the maturity date, the Company will redeem the bonds with additional interest payment on the basis of the amount of 100.7519% of the bond value that remain outstanding at the principal amount.
 - (4) Redemption at the option of the Company:
 - A. The Company may redeem the bonds, in whole or in part, after 3 months (October 10, 2019) of the issuance and prior to forty days (May 30, 2022) before the maturity date, at the principal amount of the bonds if the closing price of the Company's ordinary shares on the Taiwan Stock Exchange for a period of 30 consecutive trading days, is at least 130% of the conversion price.
 - B. The Company may redeem the bonds, in whole or in part, after 3 months (October 10, 2019) of the issuance and prior to forty days (May 30, 2022) before the maturity date, at the early redemption conversion price if at least 90% in principal amount of the bonds has already been exchanged, redeemed, purchased or cancelled.
 - (5) Repurchase at option of the bondholders: Two years after the issuance of the convertible bonds (July 9, 2021) is the base date which bondholders redeem the bonds. Bondholders could request the Company for redemption of convertible bonds held at the principal amount of bonds with additional interest payment prior to thirty days of the base date. The amount after two years of issuance is 100.5006% of the principal amount.
 - (6) Terms of conversion:
 - A. Underlying Securities: Common shares of the Company.
 - B. Conversion Period: The bonds are convertible at any time on or after October 10, 2019 and prior to July 9, 2022 into common shares of the Company.
 - C. Conversion price and adjustment: The conversion price base on July 1, 2019 was originally NT\$21.8 per share. The conversion price will be subject to adjustments upon the occurrence of certain events set out in the indenture.

2. On 10 July 2019, the Company issued second unsecured domestic convertible bonds amounting to \$300,000. The major terms are as follows:
 - (1) Interest rate: 0%.
 - (2) Issue period: Five years, from July 10, 2019 to July 10, 2024.
 - (3) Redemption on the maturity date: On the maturity date, the Company will redeem the bonds with additional interest payment on the basis of the amount of 102.5251% of the bond value that remain outstanding at the principal amount.

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(4) Redemption at the option of the Company:

- A. The Company may redeem the bonds, in whole or in part, after 3 months (October 11, 2019) of the issuance and prior to forty days (May 31, 2024) before the maturity date, at the principal amount of the bonds if the closing price of the Company's ordinary shares on the Taiwan Stock Exchange for a period of 30 consecutive trading days, is at least 130% of the conversion price.
- B. The Company may redeem the bonds, in whole or in part, after 3 months (October 11, 2019) of the issuance and prior to forty days (May 31, 2024) before the maturity date, at the early redemption conversion price if at least 90% in principal amount of the bonds has already been exchanged, redeemed, purchased or cancelled.

(5) Repurchase at option of the bondholders: Thirty months after the issuance of the convertible bonds (January 10, 2022) is the base date which bondholders redeem the bonds. Bondholders could request the Company for redemption of convertible bonds held at the principal amount of bonds with additional interest payment prior to thirty days of the base date. The amount after 30 months of issuance is 101.2547% of the principal amount.

(6) Terms of conversion:

- D. Underlying Securities: Common shares of the Company.
- E. Conversion Period: The bonds are convertible at any time on or after October 11, 2019 and prior to July 10, 2024 into common shares of the Company.
- F. Conversion price and adjustment: The conversion price based on July 2, 2019 was originally NT\$21.9 per share. The conversion price will be subject to adjustments upon the occurrence of certain events set out in the indenture. On December 31, 2022, the conversion price was NT\$16.7.

For the years ended December 31, 2023 and 2022, the relevant information about the convertible bonds issued by the Company were converted into common stock, please refer to note 6(r).

For the year ended December 31, 2022, the repayment of corporate bonds amounted to \$85,400, and the amount of \$2,958 from capital—surplus conversion of convertible bonds transferred to capital surplus—expired conversion of convertible bonds.

(n) **Provisions**

	Warranties
Balance at January 1, 2023	\$ 17,412
Provisions made during the year	29,614
Provisions used during the year	(12,300)
Provisions reversed during the year	(5,075)
Balance at December 31, 2023	\$ 29,651

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	Warranties
Balance at January 1, 2022	\$ 22,236
Provisions made during the year	8,784
Provisions used during the year	(4,074)
Provisions reversed during the year	(9,534)
Balance at December 31, 2022	\$ 17,412

The provision for warranties relates mainly to maintenance services of aircraft and related components during the years ended December 31, 2023 and 2022. The provision is based on estimates made from historical warranty data associated with similar maintenance services. The Company expects to settle the majority of the liability over the next year.

(o) **Lease liabilities**

The carrying value of lease liabilities was as follows:

	December 31, 2023	December 31, 2022
Current	\$ 21,277	19,226
Non-current	202,010	213,494
	\$ 223,287	232,720

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

The amounts recognized in profit or loss were as follows:

	2023	2022
Interest on lease liabilities	\$ 2,310	2,358
Expenses relating to short-term leases	2,662	2,973
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ -	147
Covid-19-related rent concessions	\$ -	3,312

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

	2023	2022
Total cash outflow for leases	\$ 21,891	33,392

1. Real estate leases

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

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AIR ASIA CO., LTD.
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2. Other leases

The Company leases transportation equipment, with lease terms of three years.

The Company also leases land, business premises, staff dormitory and part of transportation equipment with contract terms of one to two years. These leases are short-term or leases of low-value items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(p) **Employee benefits**

Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$38,323 and \$37,138 for the years ended December 31, 2023 and 2022, respectively.

(q) **Income taxes**

1. The components of income tax expenses in the years 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Current tax expense	\$ -	-
Deferred tax expenses		
Origination and reversal of temporary differences	<u>11,717</u>	<u>3,208</u>
Income tax expenses	<u>\$ 11,717</u>	<u>3,208</u>

The amount of income tax expenses (benefits) recognized in other comprehensive income was as follows:

	<u>2023</u>	<u>2022</u>
Items that will not be reclassified subsequently to profit or loss:		
Losses on hedging instruments	<u>\$ (984)</u>	<u>217</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statement	<u>\$ -</u>	<u>66</u>

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Reconciliation of income tax expenses and profit before tax for 2023 and 2022 were as follows.

	<u>2023</u>	<u>2022</u>
Profit excluding income tax	\$ <u>68,837</u>	<u>16,697</u>
Income tax using the Company's domestic tax rate	13,767	3,339
Non-deductible expenses	173	552
Tax incentives	(99)	-
Others	<u>(2,124)</u>	<u>(683)</u>
Income tax expenses	<u>\$ <u>11,717</u></u>	<u><u>3,208</u></u>

2. Deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2023 and 2022 were as follows:

	<u>Inventory valuation loss</u>	<u>Unused tax losses</u>	<u>Others</u>	<u>Total</u>
Deferred tax assets:				
Balance at January 1, 2023	\$ 38,043	27,280	(131)	65,192
Recognized in profit or loss	8,165	(25,312)	4,915	(12,232)
Recognized in other comprehensive income	<u>-</u>	<u>-</u>	<u>984</u>	<u>984</u>
Balance at December 31, 2023	<u>\$ <u>46,208</u></u>	<u><u>1,968</u></u>	<u><u>5,768</u></u>	<u><u>53,944</u></u>
Balance at January 1, 2022	\$ 34,562	23,417	10,228	68,207
Recognized in profit or loss	3,481	3,863	(10,076)	(2,732)
Recognized in other comprehensive income	<u>-</u>	<u>-</u>	<u>(283)</u>	<u>(283)</u>
Balance at December 31, 2022	<u>\$ <u>38,043</u></u>	<u><u>27,280</u></u>	<u><u>(131)</u></u>	<u><u>65,192</u></u>
	<u>Unrealized gains</u>			
Deferred tax liabilities:				
Balance at January 1, 2023	\$ 515			
Recognized in profit or loss	<u>(515)</u>			
Balance at December 31, 2023	<u>\$ <u>-</u></u>			
Balance at January 1, 2022	\$ 39			
Recognized in profit or loss	<u>476</u>			
Balance at December 31, 2022	<u>\$ <u>515</u></u>			

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes.

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As of December 31, 2023, the information of the Company's unused tax losses for which no deferred tax assets were recognized are as follows:

<u>Year of loss</u>	<u>Unused tax losses</u>	<u>Expiry date</u>
2020	3,273	2030
2022	6,565	2032
	<u>\$ 9,838</u>	

3. Assessment of tax

The Company's tax returns for the years through 2021 were assessed by the tax authority.

(r) **Capital and other equity**

As of December 31, 2023, and 2022, all of the authorized common stock of the Company was \$2,100,000, comprising 210,000 thousand shares, with a par value of \$10 per share. The issued shares were 209,438 and 162,048 thousand shares. All the capitals were fully received.

1. Common stock

On March 22, 2023, the board of directors meeting resolved to issue 38,000 thousand new shares for cash, with a par value of \$10 per share, amounting to \$380,000. The Company has received approval from the Financial Supervisory Commission for this capital increase. On May 10, 2023, the board of directors meeting resolved the basis date of the increase capital to be August 1, 2023 and the registration procedures have been completed.

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 September 5, 2022, and the registration procedures have been completed.

For the years ended December 31, 2023 and 2022, the convertible bonds issued by the Company amounting to \$93,904 and \$1,914, respectively were converted into 9,390 and 191 thousand shares of common stock, respectively, and the registration procedures have been completed.

2. Capital surplus

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Additional paid-in capital	\$ 1,041,789	46,927
Gain on disposal of assets	100,063	100,063
Conversion of convertible bonds	-	7,849
Expired conversion of convertible bonds	2,958	2,958
Expired employee stock option	8,177	-
Other – disbursement	18	18
	<u>\$ 1,153,005</u>	<u>157,815</u>

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The board of directors meeting resolved on February 29, 2024 to distribute cash dividends by its capital surplus in the amount of \$63,001 (NT\$ 0.30081 per share)

The board of directors meeting resolved on February 22, 2023 to distribute cash dividends by its capital surplus in the amount of \$45,552 (NT\$ 0.2811 per share)

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).

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

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 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 allocate 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 distributed by stock dividends. However, the proportion of stock dividends shall not higher than 50% of the total dividends.

(1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

(2) Earning distribution

The amount of cash dividends of appropriations of earning for 2022 had been approved in the board meeting held on February 22, 2023. The amount of cash dividends of appropriations of earnings for 2021 had been approved in the board meeting held on February 23, 2022. The

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amount of shares dividends of appropriations of earnings for 2021 had been resolved through the shareholders' meeting on June 15, 2022.

These earnings were appropriated as follows:

	Unit per share: dollar			
	2022		2021	
	<u>TWD/per share</u>	<u>Amount</u>	<u>TWD/per share</u>	<u>Amount</u>
Dividends distributed to ordinary shareholders				
Cash	\$ 0.0789	12,786	0.25	37,641
Shares	-	-	0.208	31,317
Total		<u>12,786</u>		<u>68,958</u>

The amount of cash dividends on the appropriations of earnings for 2023, had been approved during the board meeting on February 29, 2024, as follows:

	2023	
	<u>TWD/per share</u>	<u>Amount</u>
Dividends distributed to ordinary shareholders		
Cash	\$ 0.22919	<u>48,001</u>

4. Other equity (net of tax)

	Exchange differences on translation of foreign financial statements	Gains (losses) on hedging instruments	Total
Balance at January 1, 2023	\$ 133	382	515
Exchange differences on foreign operations	1	-	1
Changes in fair value of hedging instrument	-	13,460	13,460
Changes in fair value of hedging instrument reclassified to inventories	-	(17,396)	(17,396)
Balance at December 31, 2023	<u>\$ 134</u>	<u>(3,554)</u>	<u>(3,420)</u>
Balance at January 1, 2022	\$ (129)	(484)	(613)
Exchange differences on foreign operations	262		262
Changes in fair value of hedging instrument	-	12,483	12,483
Changes in fair value of hedging instrument reclassified to inventories	-	(11,617)	(11,617)
Balance at December 31, 2022	<u>\$ 133</u>	<u>382</u>	<u>515</u>

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(s) Share-based payment

For the year ended December 31, 2023, the Company had the following share-based payment arrangements:

	<u>Equity-settled</u> <u>Cash capital increase reserved</u> <u>for employee subscription</u>
Grant date	June 8, 2023
Number of shares granted	1,612,000 shares
Recipients	Employees of the Company
Vesting conditions	Immediately vested

There were no such transaction for the year ended December 31, 2022.

The Company used Black-Scholes option pricing model in measuring the fair value of the share-based payment at the grant date. The measurement inputs were as follows:

	<u>For the year ended December 31, 2023</u> <u>Cash capital increase reserved</u> <u>for employee subscription</u>
Fair value at grant date (in dollars)	23.8
Stock price at grant date (in dollars)	58.8
Exercise price (in dollars)	35
Expected volatility (%)	42.13
Expected life (year)	0.09
Risk-free interest rate (%)	0.6275

Details of cash capital increase reserved for employee subscription are as follows:

	<u>For the year ended December 31, 2023</u>	
	<u>Weighted-average</u> <u>exercise price</u> <u>(in dollars)</u>	<u>Number of options</u> <u>(shares)</u>
Outstanding at January 1	\$ -	-
Granted during the year	35	1,612,000
Exercised during the year	35	(1,268,453)
Expired during the year	35	<u>(343,547)</u>
Outstanding at December 31	-	<u>-</u>
Exercisable at December 31	-	<u>-</u>

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The Company's compensation expenses stemming from the cash capital increase reserved for employee subscription for the year end December 31, 2023, amounting to \$38,366, and recorded as operating costs and expenses as well as in the capital surplus—employee stock options.

(t) **Earnings per share**

For the years ended December 31, 2023 and 2022, the Company's earnings per share were calculated as follows:

	Unit of share: thousand	
	<u>2023</u>	<u>2022</u>
Basic earnings per share		
Profit attributable to common shareholders of the Company	\$ <u>57,120</u>	<u>13,489</u>
Weighted-average number of shares	<u>183,406</u>	<u>161,949</u>
	\$ <u>0.31</u>	<u>0.08</u>
Diluted earnings per share		
Profit attributable to common shareholders of the Company	\$ 57,120	13,489
Effect of dilutive ordinary shares:		
Convertible bonds	<u>820</u>	<u>-</u>
Profit attributable to common shareholders of the Company (diluted)	\$ <u>57,940</u>	<u>13,489</u>
Weighted-average number of shares	183,406	161,949
Effect of dilutive ordinary shares:		
Remuneration to employees	60	32
Convertible bonds	<u>3,961</u>	<u>-</u>
Weighted-average number of shares (diluted)	<u>187,427</u>	<u>161,981</u>
	\$ <u>0.31</u>	<u>0.08</u>

For the year ended December 31, 2022, there is an anti-diluted effect on convertible bonds.

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

1. Disaggregation of revenue

	<u>2023</u>	<u>2022</u>
<u>Primary geographical markets</u>		
Taiwan	\$ 4,265,043	3,628,419
Asia	474,370	314,296
Other	<u>124,269</u>	<u>126,514</u>
	\$ <u>4,863,682</u>	<u>4,069,229</u>

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	2023	2022
<u>Major services and timing of revenue recognition</u>		
At a point in time		
Repair supply pricing	\$ 123,718	116,604
Outsourced repair and air material transaction	1,109,157	1,049,291
Subtotal	1,232,875	1,165,895
Over time		
Aircraft maintenance	1,174,883	1,049,228
Fleet maintenance	498,033	445,269
Components maintenance	1,957,891	1,408,837
Subtotal	3,630,807	2,903,334
Total	\$ 4,863,682	4,069,229

2. Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Notes and trade receivables	\$ 1,449,310	1,209,599	1,420,424
Less: Loss allowance	(4,294)	(1,127)	(16,043)
Total	\$ 1,445,016	1,208,472	1,404,381
Contract assets – Maintenance service	\$ 1,181,069	913,851	762,733
Contract liabilities – Maintenance service	\$ 51,585	8,597	6,959

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

The amount of revenue recognized for the years ended December 31, 2023 and 2022 that were included in the contract liability balance at the beginning of the period were \$8,222 and \$6,959, respectively.

The contract assets primarily relate to the Company's rights to consideration in exchange for providing maintenance services to a customer but has not yet billed at the reporting date. The contract assets are transferred to receivables when the rights to consideration become unconditional.

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.

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3. Transaction price allocated to the remaining performance obligations

The Company has signed several multi-year military maintenance contracts with the military department of the government. Although the contract stated the budget, the actual performance obligation is based on the maintenance work order and recognized revenue based on each order. As of December 31, 2023, and 2022, the maintenance period of the work obtained were less than one year, thus, the Company applies the practical expedient of IFRS 15 and does not disclose information about the transaction price allocated to the remaining performance obligations of the contract.

4. Assets recognized from costs to obtain a contract

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Incremental costs of obtaining contracts — non-current	\$ 20,771	45,594
Less: accumulated amortization	<u>(7,343)</u>	<u>(30,341)</u>
Total	<u>\$ 13,428</u>	<u>15,253</u>

The related expenses of stamp tax paid by the Company 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 \$3,549 and \$6,449 were recognized for the years ended December 31, 2023 and 2022.

(v) **Employees compensation**

According to the Articles of Association, once the Company has annual profit, it should appropriate 1%~3% of the profit to its employees. When the Company still has an accumulated loss, the Company shall keep the profit for making up an accumulated loss.

The remunerations to employees amounted to \$2,129 and \$341 for the years ended December 31, 2023 and 2022, 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.

Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2023 and 2022.

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

1. Other income

The details of other income were as follows:

	<u>2023</u>	<u>2022</u>
Rent income	\$ 1,150	1,390
Other income — others	<u>10,771</u>	<u>14,954</u>
	<u>\$ 11,921</u>	<u>16,344</u>

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2. Other gains and losses

The details of other gains(losses) and losses were as follows:

	<u>2023</u>	<u>2022</u>
Gains on disposals of property, plant and equipment	\$ 315	39
Foreign exchange gains, net	8,689	1,903
Net gains (losses) on valuation of financial assets at fair value through profit or loss	45	(290)
Handing fees	(12,776)	(10,609)
Others	<u>(9)</u>	<u>(106)</u>
	<u>\$ (3,736)</u>	<u>(9,063)</u>

(x) **Financial instruments**

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 December 31, 2023, and 2022, a few customers of the Company accounted for 81% and 85%, respectively, of accounts receivable. As of the end of the reporting period, the Company did not suffer any significant credit risk losses due to these customers. The Company 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 and trade 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 years ended December 31, 2023 and 2022.

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected credit losses.

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Notes to the Parent Company Only 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>
December 31, 2023						
Non-derivative financial liabilities						
With floating interest rates	\$ 1,135,750	1,149,342	874,016	187,985	87,341	-
Non-interest-bearing liabilities	582,959	582,959	582,959	-	-	-
Lease liabilities	223,287	238,754	23,439	19,104	49,747	146,464
Derivative financial liabilities						
Forward exchange contracts:						
Outflow	5,235	210,159	210,159	-	-	-
Inflow	-	(204,924)	(204,924)	-	-	-
	<u>\$ 1,947,231</u>	<u>1,976,290</u>	<u>1,485,649</u>	<u>207,089</u>	<u>137,088</u>	<u>146,464</u>
December 31, 2022						
Non-derivative financial liabilities						
With floating interest rates	\$ 1,368,750	1,380,665	1,233,826	70,690	76,149	-
With fixed interest rates	699,377	706,453	550,000	156,453	-	-
Non-interest-bearing liabilities	648,562	648,562	648,562	-	-	-
Lease liabilities	232,720	250,271	21,454	16,999	49,081	162,737
Derivative financial liabilities						
Forward exchange contracts:						
Outflow	1,634	114,327	114,327	-	-	-
Inflow	-	(112,693)	(112,693)	-	-	-
	<u>\$ 2,951,043</u>	<u>2,987,585</u>	<u>2,455,476</u>	<u>244,142</u>	<u>125,230</u>	<u>162,737</u>

The Company 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.
Notes to the Parent Company Only Financial Statements

3. Currency risk

(i) Exposure to foreign currency risk

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

	December 31, 2023			December 31, 2022			
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	
<u>Financial assets</u>							
<u>Monetary items</u>							
USD	\$	6,249	30.705	191,881	7,092	30.71	217,780
<u>Non-monetary items</u>							
USD		919	30.705	28,218	3,345	30.71	102,725
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD		5,534	30.705	169,908	9,930	30.71	304,938
<u>Non-monetary items</u>							
USD		5,539	30.705	170,075	3,711	30.71	113,965
GBP		952	39.15	37,271	-	-	-

(ii) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, and trade and other payables that are denominated in foreign currency. As of December 31, 2023 and 2022, when the exchange rate of the NTD versus the USD and GBP increase or decrease by 1%, given no changes in other factors, profit after tax will increase or decrease by \$176 and \$697, respectively, and the equity will increase or decrease by \$36 and \$4 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:

	2023		2022	
	Exchange gain (loss)	Average rate	Exchange gain (loss)	Average rate
NTD	\$ 8,689	-	1,903	-

4. Interest rate analysis

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

(Continued)

AIR ASIA CO., LTD.
Notes to the Parent Company Only Financial Statements

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 Company management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 1%, the Company's net profit would have decreased or increased by \$9,086 and \$10,950 for the years ended December 31, 2023 and 2022 with all other variable factors remaining constant. This is mainly due to the Company's borrowing at floating rates.

5. Fair value of financial instruments

(i) Fair value hierarchy

The carrying amount and fair value of the Company'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:

	Carrying Value	December 31, 2023			Total
		Level 1	Level 2	Level 3	
Financial assets for hedging	<u>\$ 793</u>	-	793	-	793
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 251,055	-	-	-	-
Notes and trade receivables	1,445,016	-	-	-	-
Other receivables	1,368	-	-	-	-
Refundable deposits – current	113,866	-	-	-	-
Refundable deposits – non-current (recorded as other non-current assets)	44,667	-	-	-	-
	<u>\$1,855,972</u>				
Financial liabilities for hedging	<u>\$ 5,235</u>	-	5,235	-	5,235
Financial liabilities measured at amortized cost					
Short-term loans	\$ 730,000	-	-	-	-
Payables	582,959	-	-	-	-
Long-term loans (included in current portion)	405,750	-	-	-	-
Lease liabilities	223,287	-	-	-	-
	<u>\$1,941,996</u>				

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AIR ASIA CO., LTD.
Notes to the Parent Company Only Financial Statements

	December 31, 2022				
	Carrying	Fair Value			Total
	Value	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Financial assets designated at fair value through profit or loss	\$ <u>15</u>	-	15	-	15
Financial assets for hedging	<u>2,112</u>	-	2,112	-	2,112
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 249,647	-	-	-	-
Notes and trade receivables	1,208,472	-	-	-	-
Other receivables	5,284	-	-	-	-
Refundable deposits – current	57,109	-	-	-	-
Refundable deposits – non-current (recorded as other non-current assets)	<u>26,547</u>	-	-	-	-
	<u>\$1,547,059</u>				
Financial liabilities for hedging	<u>\$ 1,634</u>	-	1,634	-	1,634
Financial liabilities measured at amortized cost					
Short-term loans	\$1,125,000	-	-	-	-
Short-term notes payable	549,704	-	-	-	-
Payables	648,562	-	-	-	-
Bonds payable	149,673	-	151,517	-	151,517
Long-term loans (included in current portion)	243,750	-	-	-	-
Lease liabilities	<u>232,720</u>	-	-	-	-
	<u>\$2,949,409</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 years ended December 31, 2023 and 2022.

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AIR ASIA CO., LTD.
Notes to the Parent Company Only Financial Statements

(ii) Valuation techniques for financial instruments not measured at fair value

Financial liabilities measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

The valuations of the liability part of the convertible bonds issued by the Company 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.

(y) **Financial risk management**

1. Overview

The Company have exposures to the following risks from its financial instruments:

- (i) Credit risk
- (ii) Liquidity risk
- (iii) Market risk

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks' exposures, please refer to the respective notes in the accompanying financial statements.

2. Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The chairman is responsible for developing and monitoring the Company's risk management policies. The chairman reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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AIR ASIA CO., LTD.
Notes to the Parent Company Only Financial Statements

The Company Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

3. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and bank deposits.

(i) Trade receivables

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and, in some cases, bank references. The Company rates major clients by other publicly available information and past transaction experience. Credit limits are established for each customer, and these limits are reviewed regularly. First-time customers, customers that have not traded for a long period, and customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

The Company evaluates the aging of trade receivables periodically, and accrues an allowance for doubtful accounts, if necessary. The allowance consists of a specific loss component that relates to individually significant risk exposures and a collective loss incurred but not yet identified. The collective loss allowance is determined based on historical payment statistics and forward looking information.

(ii) Bank deposit

The Company's transactions resulted from external parties with good credit ratings; there are no noncompliance issues. The Company also has relationships with multiple financial institutions to diversify risk.

4. Liquidity risk

The Company manages sufficient cash and cash equivalents to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

Loans and borrowings from the bank form an important source of liquidity for the Company. As of December 31, 2023, and 2022, the Company's unused credit line were amounted to \$1,158,000 and \$735,000 respectively.

5. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, and interest rates, will affect the Company's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

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AIR ASIA CO., LTD.
Notes to the Parent Company Only Financial Statements

(i) Currency risk

The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Company, the NTD. The currencies used in these transactions are the USD and GBP.

Regarding other monetary assets and liabilities denominated in foreign currencies, when short-term imbalance occurs, the Company buys or sells foreign currencies at real-time exchange rates to ensure that the net risk of risk remains at an acceptable level.

The Company determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Company assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In these hedge relationships, the main sources of ineffectiveness are:

- the effect of the counterparty and the Company's own credit risk on the fair value of the forward foreign exchange contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates; and
- changes in the timing of the hedged transactions.

(ii) Interest rate risk

The short-term and long-term borrowings of the Company are debts with floating interest rates. Therefore, changes in market interest rates will cause the interest rates of short-term and long-term borrowings to fluctuate, causing fluctuations in future cash flows.

(z) Capital management

The Company's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Company uses the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital is the total equity plus net debt.

(Continued)

AIR ASIA CO., LTD.
Notes to the Parent Company Only Financial Statements

The Company's debt-to-equity ratios at the reporting date were as follows:

	December 31, 2023	December 31, 2022
Total liabilities	\$ 2,043,020	2,986,459
Less: cash and cash equivalents	<u>251,055</u>	<u>249,647</u>
Net debt	1,791,965	2,736,812
Total equity	<u>3,433,971</u>	<u>1,924,478</u>
Total capital	\$ 5,225,936	4,661,290
Debt-to-equity ratio	<u>34.29%</u>	<u>58.71%</u>

As of December 31, 2023, the Company's capital management strategy is consistent with the prior years. Changes in the debt-to-equity ratio were mainly due to the cash capital increase.

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

The Company acquired right-of-use assets by leases for the years ended December 31, 2023 and 2022, please refer to note 6(h).

The convertible bonds issued by the Company were converted into common stock for the years ended December 31, 2023 and 2022, please refer to note 6(r).

Reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2023	Cash flows	Non-cash changes	December 31, 2023
Short-term loans	\$ 1,125,000	(395,000)	-	730,000
Short-term notes payable	549,704	(549,704)	-	-
Long-term loans (included in current portion)	243,750	162,000	-	405,750
Bonds payable	149,673	-	(149,673)	-
Lease liabilities	<u>232,720</u>	<u>(16,919)</u>	<u>7,486</u>	<u>223,287</u>
Total liabilities from financing activities	\$ 2,300,847	(799,623)	(142,187)	1,359,037

(Continued)

AIR ASIA CO., LTD.
Notes to the Parent Company Only Financial Statements

	<u>January 1, 2022</u>	<u>Cash flows</u>	<u>Non-cash changes</u>	<u>December 31, 2022</u>
Short-term loans	\$ 410,000	715,000	-	1,125,000
Short-term notes payable	949,203	(399,499)	-	549,704
Long-term loans (included in current portion)	368,750	(125,000)	-	243,750
Bonds payable (included in current portion)	235,762	(85,400)	(689)	149,673
Lease liabilities	<u>248,531</u>	<u>(27,914)</u>	<u>12,103</u>	<u>232,720</u>
Total liabilities from financing activities	<u>\$ 2,212,246</u>	<u>77,187</u>	<u>11,414</u>	<u>2,300,847</u>

(7) Related-parties transactions:

(a) Parent company and ultimate controlling company

Taiwan Aerospace Corporation is both the parent company and the ultimate controlling party of the Company. As of December 31, 2023 and 2022, it owns 49.67% and 63.57% of all shares outstanding of the Company, respectively.

(b) Names and relationship with related parties

The followings are subsidiaries and other entities that have had transactions with related party during the periods covered in the financial statements.

<u>Name of related party</u>	<u>Relationship with the Company</u>
Apex Aviation Inc.	Substantive related party
Air Asia Company Ltd.(USA)	Subsidiary of the company

(c) Significant transactions with related parties

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

	<u>2023</u>	<u>2022</u>
Other related parties	<u>\$ 1,439</u>	<u>518</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 December 31, 2023 and 2022, the receivables from related parties were \$0 and \$19, respectively, which recorded as trade receivables.

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AIR ASIA CO., LTD.
Notes to the Parent Company Only Financial Statements

(d) Key management personnel compensation

Key management personnel compensation comprised:

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 20,054	19,268
Post-employment benefits	<u>1,409</u>	<u>678</u>
	<u>\$ 21,463</u>	<u>19,946</u>

(8) Pledged assets

The carrying amounts of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Refundable deposits – current	Guarantee deposits and customs bond	\$ 113,866	57,109
Refundable deposits – non-current (Note1)	Guarantee deposits	44,667	26,547
Land	Short-term loans	255,076	255,076
Buildings and structures	Short-term loans	<u>185,816</u>	<u>197,874</u>
		<u>\$ 599,425</u>	<u>536,606</u>

Note1: recorded as other non-current assets.

(9) Significant Commitments and Contingencies

(a) Unrecognized contractual commitments

1. As of December 31, 2023 and 2022, the maintenance bond and customs bond offered by banks amounted to \$1,967,822 and \$2,133,476, respectively.
2. The Company signed contracts with domestic and foreign vendors for building and purchasing property, plant and equipment. As of December 31, 2023 and 2022, the contracts amounted to \$574,453 and 492,434, respectively, and the unpaid payment was \$458,422 and 420,368, respectively.

(b) Contingencies:None.

(10) Losses Due to Major Disasters:None.

(11) Subsequent Events:None.

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AIR ASIA CO., LTD.
Notes to the Parent Company Only Financial Statements

(12) Others

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By item	By function	2023			2022		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		617,926	138,096	756,022	576,414	116,989	693,403
Labor and health insurance		61,817	15,349	77,166	58,525	14,693	73,218
Pension		31,688	6,635	38,323	31,038	6,100	37,138
Remuneration of directors		-	2,280	2,280	-	2,280	2,280
Others		38,536	7,228	45,764	35,903	6,451	42,354
Depreciation(Note)		82,674	10,323	92,997	80,726	6,190	86,916
Amortization		5,909	696	6,605	7,507	671	8,178

Note : The covid-19-related rent concessions of \$0 and \$3,312 were recognized as deduction of depreciation expenses for the years ended December 31, 2023 and 2022, respectively.

The additional information of number of employees and employee benefits in the year 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</u>
Number of employees	<u>1,120</u>	<u>1,117</u>
Number of non-employee directors	<u>10</u>	<u>10</u>
Average employee benefits	<u>\$ 826</u>	<u>764</u>
Average employee salary	<u>\$ 681</u>	<u>626</u>
Adjustment of average employee salary	<u>8.79%</u>	<u>-</u>
Supervisor's remuneration	<u>\$ 0</u>	<u>0</u>

The Company's salary and remuneration policy (including directors, supervisors, managers and employees) are as follows:

The Company's salary and remuneration policy complies with the provisions of Article 7, Item 1 of the "Measures for the Establishment and Exercising of Powers of the Company's Salary and Remuneration Committee when Stocks Are Listed or Traded in the Business Location of a Securities Firm", and Article 7, Item 1 of the Company's "Organizational Rules for the Salary and Remuneration Committee", wherein they stipulate It is stipulated that the salary and remuneration of relevant directors and managers will be transparent, rationalized and institutionalized. Also, "Directors and Managers Remuneration

(Continued)

AIR ASIA CO., LTD.

Notes to the Parent Company Only Financial Statements

Management Measures" are specially formulated, and the salary and remuneration committee meetings are held regularly in accordance with the "Remuneration Committee Organization Rules and Power Exercise Measures" to evaluate the remuneration policies and systems of the directors and managers of the Company, and make recommendations to the board of directors for their decision-making reference. The relevant information is as follows:

- (1) The remuneration of the Company's directors is in accordance with the "Directors and Managers' Remuneration Management Measures". The remuneration of directors includes remuneration and business execution expenses.
- (2) The remuneration of the general manager, deputy general managers, managers and employees includes salary, bonuses, employee compensation and employee stock options. Furthermore, the Company's "Directors and Managers' Compensation Management Measures" and "Remuneration Structure Measures", refers to the usual level of payment in the industry, and considers the results of individual performance evaluation, the time invested, the responsibilities, the situation of achieving personal goals, the role performance of other positions, the salary and remuneration that the Company has given to the same position in recent years, and the assessment of the Company's short-term and long-term business goals. In addition, the Company's financial status assesses the rationality of the relationship between the personal performance and the Company's operating performance and future risks, depending on the actual situation and related issues at any time. The law reviews the remuneration system in a timely manner in order to balance the Company's sustainable operation and risk control.

(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 Company for the year ended December 31, 2023:

- (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.

(Continued)

AIR ASIA CO., LTD.
Notes to the Parent Company Only Financial Statements

- (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	"	"	"	"	"	"	"	"
"	"	2020.11.23	22,857	"	Creative Decoration Co., Ltd.	"	"	"	"	"	"	"	"

- (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).

- (b) Information on investments:

The followings are the information on investees for the year ended December 31, 2023 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Main businesses and products	Original investment amount		Balance as of December 31, 2023			Net income (loss) of investee	Investment income (loss) recognized	Remark
			December 31, 2023	December 31, 2022	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Air Asia Company Ltd. (USA)	Logistic service	6,699	6,699	10	100 %	3,164	(98)	(98)	-

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

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AIR ASIA CO., LTD.
Notes to the Parent Company Only Financial Statements

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Taiwan Aerospace Corporation		104,029,402	49.67 %
Taiwan Sugar Corporation		19,898,469	9.50 %

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:

Please refer to the consolidated financial statement for the year ended December 31, 2023.

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AIR ASIA CO., LTD.

Statement of cash and cash equivalents

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash	Cash on hand	\$ 92
	Petty cash	<u>757</u>
		<u>849</u>
Bank deposits	Demand deposits	142,543
	Foreign currency demand deposits (USD1,506,352.22 ; exchange rate at 30.705)	46,253
	Foreign currency time deposit (USD2,000,000 ; exchange rate at 30.705 ; maturity date at 2024.2.22)	<u>61,410</u>
		<u>250,206</u>
Total		<u>\$ 251,055</u>

Statement of contract assets— current

<u>Client name</u>	<u>Description</u>	<u>Amount</u>
Client A	Contract assets for maintenance services	\$ 1,140,977
Other(Note1)	"	<u>40,092</u>
Total		<u>\$ 1,181,069</u>

Note1 : The amount of individual client included in others does not exceed 5% of the account balance.

AIR ASIA CO., LTD.

Statement of trade notes and receivables, net

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

<u>Client name</u>	<u>Description</u>	<u>Amount</u>
Non-related-parties :		
Client A	Trade receivables for maintenance services	978,015
Client B	"	192,131
Client C	"	107,818
Other(Note1)	"	<u>171,346</u>
Subtotal		1,449,310
Less: Loss allowance		<u>(4,294)</u>
Total		<u>\$ 1,445,016</u>

Note1 : The amount of individual client included in others does not exceed 5% of the account balance.

Statement of other receivables

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Tax refund receivables	Income taxes refund	\$ 751
Other(Note1)	Interest receivables and advance payments	<u>1,368</u>
Total		<u>\$ 2,119</u>

Note1 : The amount of individual account included in others does not exceed 5% of the account balance.

AIR ASIA CO., LTD.

Statement of inventories

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>		<u>Note</u>
	<u>Cost</u>	<u>Market price</u>	
Finished goods	\$ 340,876	357,435	Market price is determined by net realizable value
Repair materials and others	941,966	955,748	"
	1,282,842		
Less: Allowance for inventory devaluation and obsolescence	231,042		
Total	\$ 1,051,800		

Statement of other current assets

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Other	Temporary payments and advance payments	\$ <u>29,387</u>

AIR ASIA CO., LTD.

Statement of changes in investments accounted for using equity method

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Beginning Balance		Addition		Decrease		Investment income (loss)	Exchange difference on translation of foreign financial statements	Ending Balance			Market value or net assets value		Collateral or pledge
	Shares	Amount	Shares	Amount	Shares	Amount			Shares	Percentage	Amount	Unit price	Total amount	
Air Asia Company Ltd. (USA)	10,000	\$ 3,261	-	-	-	-	(98)	1	10,000	100.00%	3,164	USD10.30	3,164	None

AIR ASIA CO., LTD.**Statement of changes in property, plant and equipment****December 31, 2023****(Expressed in thousands of New Taiwan Dollars)**

Statement of changes in property, plant and equipment, please refer to note 6(g).

Statement of changes in right-of-use assets

Statement of changes in right-of-use assets, please refer to note 6(h).

Statement of changes in intangible assets

Statement of changes in intangible assets, please refer to note 6(i).

AIR ASIA CO., LTD.**Statement of other non-current assets****December 31, 2023****(Expressed in thousands of New Taiwan Dollars)**

Statement of other non-current assets, please refer to note 6(j).

Statement of short-term loans

<u>Type</u>	<u>Description</u>	<u>Amount</u>	<u>Contract period</u>	<u>Range of interest rates</u>	<u>Credit line</u>	<u>Collateral</u>
Credit loan	Taipei Fubon Bank	180,000	Within a year	1.6953%	180,000	None
Credit loan	The Export-Import Bank of the Republic of China	200,000	Within a year	1.5724%~2.0987%	200,000	None
Credit loan	Cathay United Bank	80,000	Within a year	1.783%	80,000	None
Credit loan	Taiwan Cooperative Bank	70,000	Within a year	1.753%	100,000	None
Credit loan	Bank of Taiwan	<u>200,000</u>	Within a year	1.760%	200,000	None
	Total	<u>\$ 730,000</u>				

AIR ASIA CO., LTD.

Statement of trade payables

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

<u>Client name</u>	<u>Description</u>	<u>Amount</u>
Non-related-parties :		
Vendor A	Trade payables due to purchasing goods	\$ 54,436
Vendor B	"	46,546
Vendor C	"	28,878
Vendor D	"	17,968
Vendor E	"	16,203
Other(Note1)		<u>158,586</u>
Total		<u>\$ 322,617</u>

Note1 : The amount of individual client included in others does not exceed 5% of the account balance.

AIR ASIA CO., LTD.

**Statement of contract liabilities — current, other payables
and other current liabilities**

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Contract liabilities — current :		
Unearned sales revenue	Unearned sales revenue	\$ <u><u>51,585</u></u>
Other payables :		
Salaries and bonuses payable	Salaries payable for December, year-end bonuses and non-leaving pay	\$ 173,846
Pension and labor insurance payable	Pension and labor insurance payable	24,868
Employee compensation payable	Employee compensation payable	2,129
Other	Interest, professional service fees, royalty fees and sales tax payable	<u>59,499</u>
		<u><u>\$ 260,342</u></u>
Other current liabilities :		
Collection	Withholding income tax, pension and labor insurance	\$ 8,081
Temporary credits	Other temporary credits	<u>6,472</u>
		<u><u>\$ 14,553</u></u>

AIR ASIA CO., LTD.

Statement of provision — current

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Statement of provisions — current, please refer to note 6(n).

Statement of lease liabilities

<u>Item</u>	<u>Description</u>	<u>Lease term</u>	<u>Discount rate</u>	<u>Amount</u>
Land	Leases land	2017.01.01~2027.12.31	1.00%~1.938%	\$ 216,477
Buildings and structures	Leases dormitory	2023.01.01~2025.12.31	1.26%~1.938%	874
Transportation equipment	Car rental	2021.01.29~2026.12.24	0.96%~1.988%	<u>5,936</u>
Total				<u>\$ 223,287</u>

AIR ASIA CO., LTD.

Statement of bonds payable

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

<u>Bonds name</u>	<u>Trustee</u>	<u>Issuance date</u>	<u>Interest rate</u>	<u>Total amount</u>	<u>Transferred/ repayment paid</u>	<u>Balance</u>	<u>Unamortized Discount</u>	<u>Carrying value</u>	<u>Redemption</u>	<u>Collateral</u>	<u>Note</u>
Second unsecured domestic convertible bonds	Taishin Securities Co., Limited	2019.07.10	0%	<u>300,000</u>	<u>(300,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	Note	-	

Note: Please refer to note6 (m).

AIR ASIA CO., LTD.

Statement of long-term loans and current portion of
long-term loans

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Bank name	Description	Amount		Contract period	Interest rate	Collateral
		One year due	Longer than one-year due			
Taiwan Cooperative Bank	Unsecured loans Monthly interest payments and first installment starting from 3 months after one year maturity following the first drawdown, repaid by 16 and 12 installments, respectively, with every 3 months as one installment.	\$ 68,750	75,000	2024.3.26 and 2026.6.17	1.953% and 2.003%	None
Yuanta Commercial Bank	Unsecured loans Monthly interest payments and first installment starting from 3 months after seven months maturity following the first drawdown, repaid by 6 installments, with every 3 months as one installment.	66,000	134,000	2025.11.30	1.95%	None
The Export-Import Bank of the Republic of China	Unsecured loans Monthly interest payments and repayment at maturity.	-	62,000	2026.1.5 and 2026.7.20	1.9619% and 1.9198%	None
		<u>\$ 134,750</u>	<u>271,000</u>			

AIR ASIA CO., LTD.**Statement of operating revenue****For the year ended December 31, 2023****(Expressed in thousands of New Taiwan Dollars)**

Statement of operating revenue, please refer to note 6(u).

AIR ASIA CO., LTD.

Statement of operating costs

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Raw materials, beginning of year	\$ 782,721
Add : Raw materials purchased	3,301,482
Transferred from manufacturing expense	5,868
Less : Raw materials, end of year	752,153
Raw materials sold	197,964
Raw materials scrapped	2,551
Losses on physical inventory	459
Transferred to operating expenses	4,226
Raw materials used	3,132,718
Direct labor	393,493
Manufacturing expense	565,876
Manufacturing cost	4,092,087
Add : Work in process, beginning of year	217,570
Less : Work in process, end of year	189,813
Cost of finished goods	4,119,844
Add : Finished goods, beginning of year	381,692
Less : Finished goods, end of year	340,876
Cost of sale of finished goods	4,160,660
Add : Cost of sale of raw materials	197,964
Write-off for inventories scrapped	2,551
Unallocated production overheads	123,797
Provision for inventory obsolescence	40,825
Losses on physical inventory	459
Total	\$ 4,526,256

AIR ASIA CO., LTD.**Statement of operating expenses****For the year ended December 31, 2023****(Expressed in thousands of New Taiwan Dollars)**

Item	Selling expenses	Administrative expenses	Research and development expenses	Total
Salary and wages	\$ 48,138	97,989	884	147,011
Insurance expense	3,609	12,969	65	16,643
Meal expense	1,782	3,409	29	5,220
Taxes	695	4,600	-	5,295
Entertainment expense	3,067	1,704	3	4,774
Commission expense	2,586	-	-	2,586
Depreciation expense	231	9,850	242	10,323
Travelling expense	2,991	5,796	73	8,860
Professional service fees	36	7,384	60	7,480
Other expense	<u>2,870</u>	<u>26,531</u>	<u>717</u>	<u>30,118</u>
Total	\$ <u>66,005</u>	<u>170,232</u>	<u>2,073</u>	<u>238,310</u>

Statement of non-operating income and expenses

Statement of non-operating income and expense, please refer to note 6(w).