

(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, 2025 and 2024**

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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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安侯建業聯合會計師事務所

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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, 2025 and 2024, the statement 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, 2025 and 2024, 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 audits 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(r) “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 slow-moving 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, causing inventories to become obsolete, resulting in a risk wherein the carrying value of inventories may exceed its net realizable value. Therefore, we determined that the valuation of slow-moving inventories was one of the key areas our audit focused on.

How the matter was addressed in our audit procedures:

- Understanding the obsolete inventories valuation policy used by management and comparing the actual status of obsolete inventories in the past to assess the accuracy of past management estimates.
- Acquiring inventories aging report, as well as sampling and verifying against inventories change documents to test the accuracy of inventories aging calculation.
- Recalculating the provision for inventory and obsolescence based on the slow-moving inventories provision ratio applicable to the inventories age range.
- 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 auditor's 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 auditor's 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, Yung-Hsiang.

KPMG

Taipei, Taiwan (Republic of China)
March 4, 2026

Notes to Readers

The accompanying parent company only financial statements are intended only to present the financial position, financial performance and 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' audit 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' audit 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, 2025 and 2024

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2025		December 31, 2024				December 31, 2025		December 31, 2024	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents(note (6)(a))	\$ 223,646	4	152,289	3	2100	Short-term loans(notes (6)(k)and (8))	\$ 789,000	14	620,000	11
1139	Financial assets for hedging – current(note (6)(b))	2,534	-	2,630	-	2126	Financial liabilities for hedging – current(note (6)(b))	186	-	-	-
1140	Contract assets – current(note (6)(r))	1,312,926	23	1,364,969	24	2130	Contract liabilities – current(note (6)(r))	6,344	-	49,737	1
1170	Trade receivables, net(notes (6)(c), (r)and (7))	1,674,494	29	1,411,862	24	2170	Trade payables	386,024	7	480,087	8
1200	Other receivables(note (6)(d))	64,622	1	2,604	-	2200	Other payables	334,665	6	303,074	5
130X	Inventories(notes (6)(b)and (e))	1,024,513	18	1,348,862	23	2230	Current tax liabilities	36,066	1	37,530	1
1410	Prepayments(note (6)(f))	114,529	2	125,978	2	2250	Provisions – current(note (6)(l))	45,847	1	36,831	1
1478	Refundable deposits – current(note (8))	91,488	2	88,381	2	2280	Lease liabilities – current(note (6)(m))	21,128	-	22,572	-
1479	Other current assets	2,851	-	5,585	-	2320	Current portion of long-term loans(notes (6)(k)and (8))	127,867	2	184,000	3
	Total current assets	<u>4,511,603</u>	<u>79</u>	<u>4,503,160</u>	<u>78</u>	2399	Other current liabilities	<u>10,009</u>	<u>-</u>	<u>8,727</u>	<u>-</u>
							Total current liabilities	<u>1,757,136</u>	<u>31</u>	<u>1,742,558</u>	<u>30</u>
Non-current assets:						Non-Current liabilities:					
1550	Investments accounted for using equity method	3,023	-	3,261	-		Long-term loans(notes (6)(k)and (8))	236,133	4	364,000	7
1600	Property, plant and equipment(notes (6)(g)and (8))	864,313	15	822,121	14	2540	Deferred tax liabilities(note (6)(o))	2,466	-	2,551	-
1755	Right-of-use assets(note (6)(h))	195,318	4	222,646	4	2570	Lease liabilities – non-current(note (6)(m))	172,249	3	188,343	3
1780	Intangible assets(note (6)(i))	10,306	-	6,617	-	2580	Total non-current liabilities	<u>410,848</u>	<u>7</u>	<u>554,894</u>	<u>10</u>
1840	Deferred tax assets(note (6)(o))	57,724	1	53,863	1		Total liabilities	<u>2,167,984</u>	<u>38</u>	<u>2,297,452</u>	<u>40</u>
1955	Incremental costs of obtaining contracts – non-current(note (6)(r))	8,285	-	11,943	-	Equity attributable to owners of the Company(notes (6)(b), (o)and (p)):					
1990	Other non-current assets(notes (6)(g), (j)and (8))	66,240	1	143,246	3	3110	Common stock	<u>2,094,382</u>	<u>36</u>	<u>2,094,382</u>	<u>36</u>
	Total non-current assets	<u>1,205,209</u>	<u>21</u>	<u>1,263,697</u>	<u>22</u>	3200	Capital surplus	<u>1,090,004</u>	<u>19</u>	<u>1,090,004</u>	<u>19</u>
							Retained earnings:				
						3310	Legal reserve	152,642	3	138,581	2
						3320	Special reserve	-	-	3,420	-
						3350	Unappropriated retained earnings	209,726	4	140,611	3
								<u>362,368</u>	<u>7</u>	<u>282,612</u>	<u>5</u>
						3400	Other equity	<u>2,074</u>	<u>-</u>	<u>2,407</u>	<u>-</u>
							Total equity	<u>3,548,828</u>	<u>62</u>	<u>3,469,405</u>	<u>60</u>
							Total liabilities and equity	<u>\$ 5,716,812</u>	<u>100</u>	<u>\$ 5,766,857</u>	<u>100</u>
	Total assets	<u>\$ 5,716,812</u>	<u>100</u>	<u>5,766,857</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, 2025 and 2024****(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)**

		2025		2024	
		Amount	%	Amount	%
4000	Operating revenue (notes (6)(r)and (7))	\$ 5,454,110	100	5,200,056	100
5000	Operating costs (notes (6)(b), (c), (m), (n), (r), (s), (7)and (12))	<u>4,889,585</u>	<u>90</u>	<u>4,737,697</u>	<u>91</u>
5900	Gross profit	<u>564,525</u>	<u>10</u>	<u>462,359</u>	<u>9</u>
6000	Operating expenses (notes (6)(c), (d), (m), (n), (s), (7)and (12)):				
6100	Selling expenses	74,686	1	69,608	1
6200	Administrative expenses	164,137	3	172,580	3
6300	Research and development expenses	26,164	-	22,661	-
6450	Expected credit losses (profit)	<u>8,545</u>	<u>-</u>	<u>(4)</u>	<u>-</u>
		<u>273,532</u>	<u>4</u>	<u>264,845</u>	<u>4</u>
6900	Operating profit	<u>290,993</u>	<u>6</u>	<u>197,514</u>	<u>5</u>
7000	Non-operating income and expenses (notes (6)(g), (m)and (t)):				
7100	Interest income	3,082	-	6,632	-
7010	Other income	18,435	-	11,940	-
7020	Other gains and losses	(12,451)	-	957	-
7050	Interest expense	(38,175)	(1)	(37,006)	(1)
7070	Share of loss of associates accounted for using equity method	<u>(103)</u>	<u>-</u>	<u>(115)</u>	<u>-</u>
		<u>(29,212)</u>	<u>(1)</u>	<u>(17,592)</u>	<u>(1)</u>
7900	Profit before tax	261,781	5	179,922	4
7950	Less: Income tax expenses (note (6)(o))	<u>52,056</u>	<u>1</u>	<u>39,313</u>	<u>1</u>
	Net profit	<u>209,725</u>	<u>4</u>	<u>140,609</u>	<u>3</u>
8300	Other comprehensive income (notes (6)(b), (o)and (p)):				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8317	Gains on hedging instruments	(11,383)	-	25,768	-
8349	Less:income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>(57)</u>	<u>-</u>	<u>1,414</u>	<u>-</u>
		<u>(11,326)</u>	<u>-</u>	<u>24,354</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	(135)	-	212	-
8399	Less: income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>(27)</u>	<u>-</u>	<u>43</u>	<u>-</u>
		<u>(108)</u>	<u>-</u>	<u>169</u>	<u>-</u>
8300	Other comprehensive income, net	<u>(11,434)</u>	<u>-</u>	<u>24,523</u>	<u>-</u>
8500	Total comprehensive income	<u>\$ 198,291</u>	<u>4</u>	<u>165,132</u>	<u>3</u>
	Earnings per share (note (6)(q)) (in New Taiwan dollars)				
9750	Basic earnings per share	<u>\$ 1.00</u>		<u>0.67</u>	
9850	Diluted earnings per share	<u>\$ 1.00</u>		<u>0.67</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, 2025 and 2024

(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, 2024	\$ 2,094,382	1,153,005	132,869	-	57,135	134	(3,554)	(3,420)	3,433,971
Net profit	-	-	-	-	140,609	-	-	-	140,609
Other comprehensive income	-	-	-	-	-	169	24,354	24,523	24,523
Total comprehensive income	-	-	-	-	140,609	169	24,354	24,523	165,132
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	5,712	-	(5,712)	-	-	-	-
Special reserve	-	-	-	3,420	(3,420)	-	-	-	-
Cash dividends	-	-	-	-	(48,001)	-	-	-	(48,001)
Cash dividends distributed from capital surplus	-	(63,001)	-	-	-	-	-	-	(63,001)
Changes in fair value of hedging instrument reclassified to inventories	-	-	-	-	-	-	(18,696)	(18,696)	(18,696)
Balance at December 31, 2024	2,094,382	1,090,004	138,581	3,420	140,611	303	2,104	2,407	3,469,405
Net profit	-	-	-	-	209,725	-	-	-	209,725
Other comprehensive income	-	-	-	-	-	(108)	(11,326)	(11,434)	(11,434)
Total comprehensive income	-	-	-	-	209,725	(108)	(11,326)	(11,434)	198,291
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	14,061	-	(14,061)	-	-	-	-
Special reserve reserved	-	-	-	(3,420)	3,420	-	-	-	-
Cash dividends	-	-	-	-	(129,969)	-	-	-	(129,969)
Changes in fair value of hedging instrument reclassified to inventories	-	-	-	-	-	-	11,101	11,101	11,101
Balance at December 31, 2025	\$ 2,094,382	1,090,004	152,642	-	209,726	195	1,879	2,074	3,548,828

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, 2025 and 2024

(Expressed in Thousands of New Taiwan Dollars)

	2025	2024
Cash flows from (used in) operating activities:		
Profit before tax	\$ 261,781	179,922
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expenses	107,649	100,368
Amortization expenses	6,599	15,260
Expected credit losses (profit)	8,545	(4)
Interest expenses	38,175	37,006
Interest income	(3,082)	(6,632)
Share of loss of subsidiaries accounted for using equity method	103	115
Loss (gain) from disposal of property, plant and equipment	(377)	81
Property, plant and equipment transferred to operating costs	57	-
Gains on lease modification	(3)	(9)
Unrealized foreign exchange losses	853	2,070
Total adjustments to reconcile profit	158,519	148,255
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in contract assets – current	52,043	(183,900)
Decrease (increase) in accounts receivable	(259,692)	33,650
Decrease (increase) in other receivables	213	(528)
Decrease (increase) in inventories	324,349	(297,062)
Decrease (increase) in prepayments	(61,607)	15,346
Decrease in other current assets	2,734	23,802
Decrease in incremental costs of obtaining contracts – non-current	3,658	1,485
Total changes in operating assets	61,698	(407,207)
Changes in operating liabilities:		
Decrease in contract liabilities – current	(43,393)	(1,848)
Increase (decrease) in trade payables	(95,087)	156,064
Increase in other payables	27,146	46,509
Increase in provisions – current	9,016	7,180
Increase (decrease) in other current liabilities	1,282	(5,826)
Total changes in operating liabilities	(101,036)	202,079
Net changes in operating assets and liabilities	(39,338)	(205,128)
Total adjustments	119,181	(56,873)
Cash generated from operations	380,962	123,049
Interest received	2,647	6,522
Interest paid	(38,054)	(37,360)
Income tax paid	(57,382)	(454)
Net cash generated from operating activities	288,173	91,757
Cash flows from (used in) investing activities:		
Decrease (increase) in refundable deposits	(3,107)	25,485
Acquisition of property, plant and equipment	(51,021)	(62,541)
Proceeds from disposal of property, plant and equipment	493	69
Acquisition of intangible assets	(10,288)	(7,368)
Decrease (increase) in other non-current assets	10,877	(47,907)
Net cash used in investing activities	(53,046)	(92,262)
Cash flows from (used in) financing activities:		
Increase in short-term loans	1,768,687	1,461,368
Decrease in short-term loans	(1,599,687)	(1,571,368)
Increase in short-term notes payable	2,406,190	3,295,980
Decrease in short-term notes payable	(2,406,190)	(3,295,980)
Proceeds from long-term loans	100,000	377,000
Repayments of long-term loans	(284,000)	(234,750)
Payment of lease liabilities	(18,748)	(18,399)
Cash dividends	(129,969)	(111,002)
Net cash used in financing activities	(163,717)	(97,151)
Effects of exchange rate changes on balance of cash held in foreign currencies	(53)	(1,110)
Net increase (decrease) in cash and cash equivalents	71,357	(98,766)
Cash and cash equivalents at the beginning of year	152,289	251,055
Cash and cash equivalents at end of year	\$ 223,646	152,289

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, 2025 and 2024

(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:

These financial statements were authorized for issuance by the Board of the Company on March 4, 2026.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the IFRS Accounting Standards 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, 2025:

- Amendments to IAS21 “Lack of Exchangeability”

- (b) The impact of IFRS Accounting Standards endorsed 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, 2026, would not have a significant impact on its financial statements:

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”
- Annual Improvements to IFRS Accounting Standards—Volume 11
- Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”

(Continued)

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

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	<p>The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities.</p> <ul style="list-style-type: none"> ● A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined ‘operating profit’ subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company’s main business activities. ● Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards. ● Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes. 	January 1, 2027 note: On September 25, 2025, the FSC issued a press release announcing that Taiwan will adopt IFRS 18 beginning in 2028. Entities that need to adopt the new standard earlier may do with the endorsement of the FSC.

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The Company is evaluating the impact on its financial position and financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Company completes its evaluation.

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures” and amendments to IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Amendments to IAS 21 “Translation to a Hyperinflationary Presentation Currency”

(4) Summary of material policies:

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

(a) Statement of compliance

These parent company only 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

(i) Basis of measurement

Except for the hedging financial instruments are measured at fair value, the parent company only financial statements have been prepared on a historical cost basis.

(ii) 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

(i) 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. Non-monetary 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:

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

(ii) 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

The Company classifies the asset as current under one of the following criteria, and all other assets are classified as non current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Company classifies the liability as current under one of the following criteria, and all other liabilities are classified as non current.

- (i) It is expected to be settled in the normal operating cycle;

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- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Company does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

(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.

(i) 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. 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.

1) 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.

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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.

2) 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;
- 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.

3) 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;

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- 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)

4) 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, 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.

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

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month 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 ECLs is the maximum contractual period over which the Company is exposed to credit risk.

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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 assets 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.

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.

5) 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.

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(ii) Financial liabilities and equity instruments

1) 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.

2) 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.

3) 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.

4) 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.

5) 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.

(iii) 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

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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.

(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.

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

(h) Investment 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 recognized 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

(i) 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.

(ii) 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.

(iii) 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.

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

1) Buildings and structures	3 ~ 50 years
2) Machinery and equipment	2 ~ 20 years
3) Transportation equipment	2 ~ 20 years
4) Office equipment	2 ~ 15 years

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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.

(i) 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.

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

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- 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.

(ii) 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

(i) 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.

(ii) 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.

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(iii) 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:

- | | | |
|----|-----------------------------|--------------|
| 1) | Software | 1 ~ 10 years |
| 2) | Acquired special technology | 5 years |

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

(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.

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(n) Revenue recognition

(i) 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.

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.

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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.

(ii) 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:

- a) the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify;
- b) 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
- c) 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.

(Continued)

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

(o) Employee benefits

(i) Defined contribution plans

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

(ii) 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.

(p) 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 uncertainty related to income taxes, 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:

- (i) 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;
- (ii) 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
- (iii) 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.

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.

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AIR ASIA CO., LTD.
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Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) 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.

(q) 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.

(r) 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 parent company only financial statements, management has made judgments and estimates about the future, including climate-related risks and opportunities, 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.

Estimates and underlying assumptions are reviewed on an ongoing basis and are consistent with the Company's risk management and climate-related commitments where appropriate. Revisions to estimates are recognised prospectively in the period of the change and future periods.

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, 2025	December 31, 2024
Cash and cash on hand	\$ 831	844
Demand deposits	<u>222,815</u>	<u>151,445</u>
Cash and cash equivalents in the statement of cash flows	<u><u>\$ 223,646</u></u>	<u><u>152,289</u></u>

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

(b) Financial instruments used for hedging

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

	December 31, 2025	December 31, 2024
Cash flow hedge:		
Financial assets for hedging – current:		
Forward exchange contracts	<u><u>\$ 2,534</u></u>	<u><u>2,630</u></u>
Financial liabilities for hedging – current:		
Forward exchange contracts	<u><u>\$ 186</u></u>	<u><u>-</u></u>

(Continued)

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

(i) 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, 2025				
	Contract Amount (in thousands)	Currency	Maturity dates	Average strike price
Forward exchange purchased	USD \$ <u>4,556</u>	TWD to USD	2026.01.09~2026.10.27	30.094~31.875
December 31, 2024				
	Contract Amount (in thousands)	Currency	Maturity dates	Average strike price
Forward exchange purchased	USD \$ <u>3,783</u>	TWD to USD	2025.01.10~2025.08.25	31.332~32.599

(ii) The details arising from cash flow hedges for the years ended December 31, 2025 and 2024, were as follows:

Account Item	2025	2024
Recognized in other comprehensive income during the period	\$ <u>(11,326)</u>	<u>24,354</u>
Reclassification from equity to decrease (increase) in inventories for the period	\$ <u>(11,101)</u>	<u>18,696</u>

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

(c) Trade receivables

	December 31, 2025	December 31, 2024
Trade receivables (including from related parties)	\$ 1,675,735	1,415,821
Less: Loss allowance	(1,241)	(3,959)
Total	\$ 1,674,494	1,411,862

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, 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:

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	December 31, 2025		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Group 1			
Current	\$ <u>1,567,427</u>	0.00%	<u>-</u>
Group 2			
Current	\$ 106,736	0.89%	953
1 to 90 days past due	1,457	14.41%	210
91 to 180 days past due	13	30.77%	4
181 to 270 days past due	9	44.44%	4
271 to 365 days past due	93	75.27%	70
More than 365 days past due	-	-	-
	<u>\$ 108,308</u>		<u>1,241</u>
	December 31, 2024		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Group 1			
Current	\$ <u>1,322,423</u>	0.00%	<u>-</u>
Group 2			
Current	\$ 81,949	2.18%	1,785
1 to 90 days past due	11,449	18.99%	2,174
91 to 180 days past due	-	-	-
181 to 270 days past due	-	-	-
271 to 365 days past due	-	-	-
More than 365 days past due	-	-	-
	<u>\$ 93,398</u>		<u>3,959</u>

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

	2025	2024
Balance at January 1	\$ 3,959	4,294
Impairment gains recognized	(2,718)	(4)
Amounts written off	-	(331)
Balance at December 31	<u>\$ 1,241</u>	<u>3,959</u>

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

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

(d) Other receivables

	<u>December 31,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
Other receivables—income taxes refund	\$ 597	597
Other receivables—material	73,056	-
Others	2,232	2,007
Less: Loss allowance	(11,263)	-
	<u>\$ 64,622</u>	<u>2,604</u>

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

The movement in the allowance for other receivables was as follows:

	<u>2025</u>	<u>2024</u>
Balance at January 1	\$ -	-
Impairment losses recognized	11,263	-
Balance at December 31	<u>\$ 11,263</u>	<u>-</u>

(e) Inventories

	<u>December 31,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
Repair materials and others	\$ 775,802	992,109
Finished goods	248,711	356,753
	<u>\$ 1,024,513</u>	<u>1,348,862</u>

The details of the cost of sales were as follows:

	<u>2025</u>	<u>2024</u>
Inventory that has been sold and service costs	\$ 4,731,324	4,583,066
Unallocated production overheads	141,381	125,351
Write-down of inventories	10,565	26,305
Write-off for inventories scrapped	6,308	2,811
Losses on physical inventory	7	164
	<u>\$ 4,889,585</u>	<u>4,737,697</u>

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

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AIR ASIA CO., LTD.
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(f) Prepayments

The details of prepayments were as follows:

	<u>December 31,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
Prepayment for materials	\$ 95,000	102,401
Prepayment of bank performance guarantee fees	7,291	7,570
Prepayment – other	12,238	16,007
	<u>\$ 114,529</u>	<u>125,978</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, 2025	\$ 275,211	761,069	777,162	78,227	95,878	87,894	2,075,441
Additions	-	11,099	11,716	8,154	329	24,046	55,344
Disposals	-	(1,269)	(10,501)	(3,810)	(4,406)	-	(19,986)
Reclassification	-	61,386	69,677	-	-	(64,991)	66,072 (Note1)
Balance at December 31, 2025	<u>\$ 275,211</u>	<u>832,285</u>	<u>848,054</u>	<u>82,571</u>	<u>91,801</u>	<u>46,949</u>	<u>2,176,871</u>
Balance at January 1, 2024	\$ 275,211	723,850	716,119	76,077	94,727	58,750	1,944,734
Additions	-	7,196	22,944	4,738	216	24,367	59,461
Disposals	-	-	(4,680)	(2,588)	(287)	(150)	(7,705)
Reclassification	-	30,023	42,779	-	1,222	4,927	78,951 (Note2)
Balance at December 31, 2024	<u>\$ 275,211</u>	<u>761,069</u>	<u>777,162</u>	<u>78,227</u>	<u>95,878</u>	<u>87,894</u>	<u>2,075,441</u>
Accumulated depreciation and impairment loss:							
Balance at January 1, 2025	\$ -	481,520	640,328	57,163	74,309	-	1,253,320
Depreciation	-	25,775	41,154	7,857	4,322	-	79,108
Disposal	-	(1,269)	(10,501)	(3,810)	(4,290)	-	(19,870)
Balance at December 31, 2025	<u>\$ -</u>	<u>506,026</u>	<u>670,981</u>	<u>61,210</u>	<u>74,341</u>	<u>-</u>	<u>1,312,558</u>
Balance at January 1, 2024	\$ -	459,708	606,256	52,343	70,256	-	1,188,563
Depreciation	-	21,812	38,752	7,408	4,340	-	72,312
Disposals	-	-	(4,680)	(2,588)	(287)	-	(7,555)
Balance at December 31, 2024	<u>\$ -</u>	<u>481,520</u>	<u>640,328</u>	<u>57,163</u>	<u>74,309</u>	<u>-</u>	<u>1,253,320</u>
Carrying value:							
Balance at December 31, 2025	<u>\$ 275,211</u>	<u>326,259</u>	<u>177,073</u>	<u>21,361</u>	<u>17,460</u>	<u>46,949</u>	<u>864,313</u>
Balance at December 31, 2024	<u>\$ 275,211</u>	<u>279,549</u>	<u>136,834</u>	<u>21,064</u>	<u>21,569</u>	<u>87,894</u>	<u>822,121</u>
Balance at January 1, 2024	<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>

Note1: The amount of \$66,129 transferred from other non-current assets – prepayment for equipment, and the amount of \$57 transferred to operating costs.

Note2: The amount of transferred from other non-current assets – prepayment for equipment.

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The capitalized borrowing costs related to the construction of the administration building amounted to \$530 and \$526, respectively, for the years ended December 31, 2025 and 2024, calculated using a capitalization rate of 1.43% and 1.47%, 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, 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>Transportation equipment</u>	<u>Total</u>
Cost:				
Balance at January 1, 2025	\$ 281,911	48,647	10,723	341,281
Additions	-	-	1,537	1,537
Reduction	(137)	(1,767)	(910)	(2,814)
Balance at December 31, 2025	<u>\$ 281,774</u>	<u>46,880</u>	<u>11,350</u>	<u>340,004</u>
Balance at January 1, 2024	\$ 281,821	47,656	9,136	338,613
Additions	299	1,642	4,778	6,719
Reduction	(209)	(651)	(3,191)	(4,051)
Balance at December 31, 2024	<u>\$ 281,911</u>	<u>48,647</u>	<u>10,723</u>	<u>341,281</u>
Accumulated depreciation and impairment loss:				
Balance at January 1, 2025	\$ 88,979	25,878	3,778	118,635
Depreciation	15,009	10,213	3,319	28,541
Reduction	(137)	(1,443)	(910)	(2,490)
Balance at December 31, 2025	<u>\$ 103,851</u>	<u>34,648</u>	<u>6,187</u>	<u>144,686</u>
Balance at January 1, 2024	\$ 74,223	16,488	3,236	93,947
Depreciation	14,965	10,041	3,050	28,056
Reduction	(209)	(651)	(2,508)	(3,368)
Balance at December 31, 2024	<u>\$ 88,979</u>	<u>25,878</u>	<u>3,778</u>	<u>118,635</u>
Carrying value:				
Balance at December 31, 2025	<u>\$ 177,923</u>	<u>12,232</u>	<u>5,163</u>	<u>195,318</u>
Balance at December 31, 2024	<u>\$ 192,932</u>	<u>22,769</u>	<u>6,945</u>	<u>222,646</u>
Balance at January 1, 2024	<u>\$ 207,598</u>	<u>31,168</u>	<u>5,900</u>	<u>244,666</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>
Cost:			
Balance at January 1, 2025	\$ -	21,569	21,569
Additions	5,713	4,575	10,288
Reduction	-	(18,069)	(18,069)
Balance at December 31, 2025	<u>\$ 5,713</u>	<u>8,075</u>	<u>13,788</u>
Balance at January 1, 2024	\$ -	19,409	19,409
Additions	-	7,368	7,368
Reduction	-	(5,208)	(5,208)
Balance at December 31, 2024	<u>\$ -</u>	<u>21,569</u>	<u>21,569</u>
Accumulated amortization:			
Balance at January 1, 2025	\$ -	14,952	14,952
Amortization for the year	667	5,932	6,599
Reduction	-	(18,069)	(18,069)
Balance at December 31, 2025	<u>\$ 667</u>	<u>2,815</u>	<u>3,482</u>
Balance at January 1, 2024	\$ -	4,900	4,900
Amortization for the year	-	15,260	15,260
Reduction	-	(5,208)	(5,208)
Balance at December 31, 2024	<u>\$ -</u>	<u>14,952</u>	<u>14,952</u>
Carrying value:			
Balance at December 31, 2025	<u>\$ 5,046</u>	<u>5,260</u>	<u>10,306</u>
Balance at December 31, 2024	<u>\$ -</u>	<u>6,617</u>	<u>6,617</u>
Balance at January 1, 2024	<u>\$ -</u>	<u>14,509</u>	<u>14,509</u>

(j) Other non-current assets

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

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Prepayment for equipment	\$ 42,891	106,103
Refundable deposits – non-current	1,136	12,300
Other non-current assets – other	22,213	24,843
	<u>\$ 66,240</u>	<u>143,246</u>

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

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AIR ASIA CO., LTD.
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(k) Short-term and long-term loans

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

	December 31, 2025	December 31, 2024
Unsecured bank loans – NTD	\$ 789,000	620,000
Long-term unsecured bank loans – NTD	114,000	298,000
Long-term secured bank loans – NTD	<u>250,000</u>	<u>250,000</u>
Total	<u>\$ 1,153,000</u>	<u>1,168,000</u>
Current	\$ 916,867	804,000
Non-current	<u>236,133</u>	<u>364,000</u>
Total	<u>\$ 1,153,000</u>	<u>1,168,000</u>
Unused short-term loans credit lines	<u>\$ 871,000</u>	<u>875,000</u>
Unused long-term loans credit lines	<u>\$ 979,640</u>	<u>679,640</u>
Range of short-term loans interest rates	<u>1.878%~1.98%</u>	<u>1.878%~2.02775%</u>
Range of long-term loans interest rates	<u>1.425%~2.1558%</u>	<u>1.425%~2.1539%</u>
Long-term loans due year	<u>2026~2034</u>	<u>2025~2034</u>

Assets pledged are disclosed in note 8.

(l) Provisions

	Warranties
Balance at January 1, 2025	\$ 36,831
Provisions made during the year	20,994
Provisions used during the year	(4,117)
Provisions reversed during the year	<u>(7,861)</u>
Balance at December 31, 2025	<u>\$ 45,847</u>
Balance at January 1, 2024	\$ 29,651
Provisions made during the year	16,619
Provisions used during the year	(4,593)
Provisions reversed during the year	<u>(4,846)</u>
Balance at December 31, 2024	<u>\$ 36,831</u>

The provision for warranties relates mainly to maintenance services of aircraft and related components during the years ended December 31, 2025 and 2024. 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.

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AIR ASIA CO., LTD.
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(m) Lease liabilities

The carrying value of lease liabilities was as follows:

	December 31, 2025	December 31, 2024
Current	\$ 21,128	22,572
Non-current	172,249	188,343
	<u>\$ 193,377</u>	<u>210,915</u>

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

The amounts recognized in profit or loss were as follows:

	2025	2024
Interest on lease liabilities	<u>\$ 2,057</u>	<u>2,201</u>
Expenses relating to short-term leases	<u>\$ 2,203</u>	<u>2,425</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 59</u>	<u>59</u>

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

	2025	2024
Total cash outflow for leases	<u>\$ 23,067</u>	<u>23,084</u>

(i) Real estate leases

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

(ii) Other leases

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

(n) 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 \$41,563 and \$39,695 for the years ended December 31, 2025 and 2024, respectively.

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(o) Income taxes

(i) The components of income tax expenses were as follows:

	<u>2025</u>	<u>2024</u>
Current tax expense		
Current period	\$ 55,990	38,141
Adjustment for prior periods	<u>(72)</u>	<u>(3)</u>
	<u>55,918</u>	<u>38,138</u>
Deferred tax expense		
Origination and reversal of temporary differences	<u>(3,862)</u>	<u>1,175</u>
Income tax expense	<u>\$ 52,056</u>	<u>39,313</u>

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

	<u>2025</u>	<u>2024</u>
Items that will not be reclassified subsequently to profit or loss:		
Gains (Losses) on hedging instruments	<u>\$ (57)</u>	<u>1,414</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statement	<u>\$ (27)</u>	<u>43</u>

Reconciliation of income tax expenses and profit before tax for 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Profit excluding income tax	\$ <u>261,781</u>	<u>179,922</u>
Income tax using the Company's domestic tax rate	52,356	35,984
Others	<u>(300)</u>	<u>3,329</u>
Income tax expenses	<u>\$ 52,056</u>	<u>39,313</u>

(ii) Deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2025 and 2024 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, 2025	\$ 51,469	-	2,394	53,863
Recognized in profit or loss	2,113	-	1,684	3,797
Recognized in other comprehensive income	<u>-</u>	<u>-</u>	<u>64</u>	<u>64</u>
Balance at December 31, 2025	<u>\$ 53,582</u>	<u>-</u>	<u>4,142</u>	<u>57,724</u>

(Continued)

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	<u>Inventory valuation loss</u>	<u>Unused tax losses</u>	<u>Others</u>	<u>Total</u>
Balance at January 1, 2024	\$ 46,208	1,968	5,768	53,944
Recognized in profit or loss	5,261	(1,968)	(2,443)	850
Recognized in other comprehensive income	-	-	(931)	(931)
Balance at December 31, 2024	\$ 51,469	-	2,394	53,863

	<u>Unrealized gains</u>	<u>Others</u>	<u>Total</u>
Deferred tax liabilities			
Balance at January 1, 2025	\$ 526	2,025	2,551
Recognized in profit or loss	-	(65)	(65)
Recognized in other comprehensive income	(20)	-	(20)
Balance at December 31, 2025	\$ 506	1,960	2,466
Balance at January 1, 2024	\$ -	-	-
Recognized in profit or loss	-	2,025	2,025
Recognized in other comprehensive income	526	-	526
Balance at December 31, 2024	\$ 526	2,025	2,551

(iii) Assessment of tax

The Company's income tax return for the years through 2023 were assessed by the tax authority. The Company will submit an application for reconsideration to the National Taxation Bureau of the Southern Area, Ministry of Finance regarding the assessment issued for 2023.

(p) Capital and other equity

As of December 31, 2025 and 2024, the authorized common stock of the Company were both \$2,400,000, comprising 240,000 thousand shares, with a per value of \$10 per share. The issued shares were both 209,438 thousand shares. All the capitals were fully received.

(i) Capital surplus

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

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Additional paid-in capital	\$ 978,788	978,788
Gain on disposal of assets	100,063	100,063
Expired conversion of convertible bonds	2,958	2,958
Expired employee share options	8,177	8,177
Other — disorgement	18	18
	\$ 1,090,004	1,090,004

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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).

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 Regulation 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.

(ii) 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 earnings for 2024 and 2023 had been approved in the board meeting held on February 26, 2025 and February 29, 2024, respectively. These earnings were appropriated as follows:

	2024	2023
	Amount	Amount
Dividends distributed to ordinary shareholders:		
Cash	\$ 129,969	48,001

(Continued)

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The amount of cash dividends on the appropriations of earnings for 2025, had been approved during the board meeting on March 4, 2026, as follows:

	2025
	Amount
Dividends distributed to ordinary shareholders:	
Cash	\$ 188,494

(iv) Other equity (net of tax)

	Exchange differences on translation of foreign financial statements	Gains (losses) on hedging instruments	Total
Balance at January 1, 2025	\$ 303	2,104	2,407
Exchange differences on foreign operations	(108)	-	(108)
Changes in fair value of hedging instrument	-	(11,326)	(11,326)
Changes in fair value of hedging instrument reclassified to inventories	-	11,101	11,101
Balance at December 31, 2025	\$ 195	1,879	2,074
Balance at January 1, 2024	\$ 134	(3,554)	(3,420)
Exchange differences on foreign operations	169	-	169
Changes in fair value of hedging instrument	-	24,354	24,354
Changes in fair value of hedging instrument reclassified to inventories	-	(18,696)	(18,696)
Balance at December 31, 2024	\$ 303	2,104	2,407

(q) Earnings per share

For the years ended December 31, 2025 and 2024, the Company's earnings per share were calculated as follows:

	Unit of share: thousand	
	2025	2024
Basic earnings per share:		
Profit attributable to common share holders of the Company	\$ 209,725	140,609
Weighted-average number of shares	209,438	209,438
	\$ 1.00	0.67
Diluted earnings per share:		
Profit attributable to common shareholders of the Company (diluted)	\$ 209,725	140,609
Weighted-average number of shares	209,438	209,438
Effect of dilutive ordinary shares:		
Remuneration to employees	233	152
Weighted-average number of shares (diluted)	209,671	209,590
	\$ 1.00	0.67

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Notes to the Parent Company Only Financial Statements

(r) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2025</u>	<u>2024</u>
<u>Primary geographical markets:</u>		
Taiwan	\$ 4,727,467	4,449,240
Asia	577,407	595,624
Other	149,236	155,192
	<u>\$ 5,454,110</u>	<u>5,200,056</u>
<u>Major services and timing of revenue recognition:</u>		
At a point in time		
Repair supply pricing	\$ 137,183	132,283
Outsourced repair and air material transaction	1,182,105	1,206,868
Subtotal	<u>1,319,288</u>	<u>1,339,151</u>
Over time		
Aircraft maintenance	1,400,602	1,257,208
Fleet maintenance	409,580	404,844
Components maintenance	2,324,640	2,198,853
Subtotal	<u>4,134,822</u>	<u>3,860,905</u>
Total	<u>\$ 5,454,110</u>	<u>5,200,056</u>

(ii) Contract balances

	<u>December 31, 2025</u>	<u>December 31, 2024</u>	<u>January 1, 2024</u>
Trade receivables	\$ 1,675,735	1,415,821	1,449,310
Less: Loss allowance	(1,241)	(3,959)	(4,294)
Total	<u>\$ 1,674,494</u>	<u>1,411,862</u>	<u>1,445,016</u>
Contract assets – Maintenance service	\$ 1,312,926	1,364,969	1,181,069
Less: Loss allowance	-	-	-
Total	<u>\$ 1,312,926</u>	<u>1,364,969</u>	<u>1,181,069</u>
Contract liabilities – Maintenance service	<u>\$ 6,344</u>	<u>49,737</u>	<u>51,585</u>

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

For details on credit risk of contract assets, please refer to note 6(u).

The amount of revenue recognized for the years ended December 31, 2025 and 2024 that were included in the contract liability balance at the beginning of the period were \$6,244 and \$16,403, respectively.

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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.

(iii) 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, 2025 and 2024, 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.

(iv) Assets recognized from costs to obtain a contract

	December 31, 2025	December 31, 2024
Incremental costs of obtaining contracts – non-current	\$ 19,979	19,979
Less: accumulated amortization	<u>(11,694)</u>	<u>(8,036)</u>
Total	<u>\$ 8,285</u>	<u>11,943</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 \$3,658 and \$3,448 were recognized for the years ended December 31, 2025 and 2024.

(s) Remunerations to employees

On June 17, 2025, the Company resolved at the shareholders' meeting to amend its Articles of Incorporation. According to the amended Articles, if the Company has profit in a given fiscal year, the profit shall be used to offset against any accumulated losses incurred by the Company. The remainder, if any, 1%~3% shall be allocated as employee remuneration. In addition to the aforementioned situation, an additional 1% of the profit shall be allocated as employee remuneration to those base-level employees. Prior to the amendment, the Articles of Incorporation stipulated that, if the Company has profit in a given fiscal year, the profit shall be used to offset against any accumulated losses incurred by the Company. The remainder, if any, 1%~3% shall be allocated as employee remuneration.

The remunerations to employees amounted to \$10,908 and \$5,556 for the years ended December 31, 2025 and 2024, 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.

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AIR ASIA CO., LTD.
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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 2025. The difference of \$8 between the amount of the actual distributions for 2024 approved by the Board of Directors and the estimated amount in the financial statement was due to the difference in the estimated net income before tax. The Company accounted for the difference as a change in accounting estimate and recognized it in profit or loss in 2025.

(t) Non-operating income and expenses

(i) Other income

The details of other income were as follows:

	<u>2025</u>	<u>2024</u>
Rent income	\$ 1,390	1,630
Insurance claims income	12,236	2,686
Other income — others	<u>4,809</u>	<u>7,624</u>
	<u>\$ 18,435</u>	<u>11,940</u>

(ii) Other gains and losses

The details of other gains and losses were as follows :

	<u>2025</u>	<u>2024</u>
Gains (losses) on disposals of property, plant and equipment	\$ 377	(81)
Foreign exchange gains (losses), net	(310)	11,118
Handing fees	(9,791)	(9,935)
Others	<u>(2,727)</u>	<u>(145)</u>
	<u>\$ (12,451)</u>	<u>957</u>

(u) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

As of December 31, 2025 and 2024, a few customers of the Company accounted for 90% and 86%, 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.

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AIR ASIA CO., LTD.
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3) Credit risk exposure of receivables and other financial assets at amortized cost

For credit risk exposure on 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. The details on loss allowance provision, please refer to note 6(d). 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.

4) Contract assets

The Company's customers are concentrated in the aircraft maintenance business. As of December 31, 2025 and 2024, the Company's concentration of credit risk on government due to the aircraft maintenance business accounted for 99% of contract asset. However, since the counterparties are mainly government, there is no credit risk.

(ii) 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, 2025						
Non-derivative financial liabilities						
With floating interest rates	\$ 1,153,000	1,173,639	926,436	35,133	131,099	80,971
Non-interest-bearing liabilities	720,689	720,689	720,689	-	-	-
Lease liabilities	193,377	204,857	22,981	17,670	50,290	113,916
Derivative financial liabilities						
Forward exchange contracts:						
Outflow	186	20,880	20,880	-	-	-
Inflow	-	(20,694)	(20,694)	-	-	-
	<u>\$ 2,067,252</u>	<u>2,099,371</u>	<u>1,670,292</u>	<u>52,803</u>	<u>181,389</u>	<u>194,887</u>
December 31, 2024						
Non-derivative financial liabilities						
With floating interest rates	\$ 1,168,000	1,194,706	815,516	131,986	123,126	124,078
Non-interest-bearing liabilities	783,161	783,161	783,161	-	-	-
Lease liabilities	210,915	224,408	24,620	18,749	50,849	130,190
	<u>\$ 2,162,076</u>	<u>2,202,275</u>	<u>1,623,297</u>	<u>150,735</u>	<u>173,975</u>	<u>254,268</u>

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

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AIR ASIA CO., LTD.
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(iii) Currency risk

1) Exposure to foreign currency risk

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

	December 31, 2025			December 31, 2024		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 4,184	31.43	131,516	4,253	32.785	139,445
<u>Non-monetary items</u>						
USD	3,894	31.43	122,388	3,783	32.785	124,036
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	8,622	31.43	270,987	5,223	32.785	171,224
<u>Non-monetary items</u>						
USD	662	31.43	20,807	-	-	-

2) 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 receivables, and trade and other payables that are denominated in foreign currency. As of December 31, 2025 and 2024, when the exchange rate of the NTD versus the USD increases or decreases by 1%, given no changes in other factors, profit after tax will decrease or increase by \$1,116 and \$254 for 2025 and 2024, and the equity will increase or decrease by \$19 and \$21 for 2025 and 2024 due to cash flow hedges. 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:

	2025		2024	
	Exchange gain (loss)	Average rate	Exchange gain (loss)	Average rate
NTD	\$ (310)	-	11,118	-

(iv) 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.
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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 liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities 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 \$9,224 and \$9,344 for the years ended December 31, 2025 and 2024, respectively, with all other variable factors remaining constant. This is mainly due to the Company's borrowing at floating rates.

(v) Fair value of financial instruments

1) 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:

	December 31, 2025				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets for hedging	\$ 2,534	-	2,534	-	2,534
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 223,646	-	-	-	-
Trade receivables	1,674,494	-	-	-	-
Other receivables	64,025	-	-	-	-
Refundable deposits – current	91,488	-	-	-	-
Refundable deposits – non-current (recorded as other non-current assets)	1,136	-	-	-	-
	\$ 2,054,789				
Financial liabilities for hedging	\$ 186	-	186	-	186
Financial liabilities measured at amortized cost					
Short-term loans	\$ 789,000	-	-	-	-
Payables	720,689	-	-	-	-
Long-term loans (included in current portion)	364,000	-	-	-	-
Lease liabilities	193,377	-	-	-	-
	\$ 2,067,066				

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	December 31, 2024				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets for hedging	\$ <u>2,630</u>	-	2,630	-	2,630
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 152,289	-	-	-	-
Trade receivables	1,411,862	-	-	-	-
Other receivables	2,007	-	-	-	-
Refundable deposits – current	88,381	-	-	-	-
Refundable deposits – non-current (recorded as other non-current assets)	<u>12,300</u>	-	-	-	-
	<u>\$ 1,666,839</u>				
Financial liabilities measured at amortized cost					
Short-term loans	\$ 620,000	-	-	-	-
Payables	783,161	-	-	-	-
Long-term loans (included in current portion)	548,000	-	-	-	-
Lease liabilities	<u>210,915</u>	-	-	-	-
	<u>\$ 2,162,076</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, 2025 and 2024.

2) 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. Fair value of forward currency is usually determined by the forward currency exchange rate.

(Continued)

AIR ASIA CO., LTD.
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(v) Financial risk management

(i) Overview

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

- 1) Credit risk
- 2) Liquidity risk
- 3) 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.

(ii) 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.

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.

(iii) 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.

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AIR ASIA CO., LTD.
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1) Trade receivables and other 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.

2) 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.

(iv) 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, 2025 and 2024, the Company's unused credit line were amounted to \$1,850,640 and \$1,554,640 respectively.

(v) 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.

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1) 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.

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.

2) 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.

(w) 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 use 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.

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AIR ASIA CO., LTD.
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The Company's debt-to-equity ratios at the reporting date were as follows:

	December 31, 2025	December 31, 2024
Total liabilities	\$ 2,167,984	2,297,452
Less: cash and cash equivalents	<u>223,646</u>	<u>152,289</u>
Net debt	1,944,338	2,145,163
Total equity	<u>3,548,828</u>	<u>3,469,405</u>
Total capital	\$ 5,493,166	5,614,568
Debt-to-equity ratio	<u>35.40 %</u>	<u>38.21 %</u>

As of December 31, 2025, the Company's capital management strategy is consistent with the prior years.

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

The Company acquired right-of-use assets by leases for the years ended December 31, 2025 and 2024, please refer to note 6(h).

Reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2025	Cash flows	Non-cash changes	December 31, 2025
Short-term loans	\$ 620,000	169,000	-	789,000
Long-term loans (included in current portion)	548,000	(184,000)	-	364,000
Lease liabilities	<u>210,915</u>	<u>(18,748)</u>	<u>1,210</u>	<u>193,377</u>
Total liabilities from financing activities	\$ 1,378,915	(33,748)	1,210	1,346,377
	January 1, 2024	Cash flows	Non-cash changes	December 31, 2024
Short-term loans	\$ 730,000	(110,000)	-	620,000
Long-term loans (included in current portion)	405,750	142,250	-	548,000
Lease liabilities	<u>223,287</u>	<u>(18,399)</u>	<u>6,027</u>	<u>210,915</u>
Total liabilities from financing activities	\$ 1,359,037	13,851	6,027	1,378,915

(Continued)

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

(7) Related-party transactions

(a) Parent company and ultimate controlling party

Taiwan Aerospace Corporation is both the parent company and the ultimate controlling party of the Company. As of December 31, 2025 and 2024, it owns both 49.67% of all shares outstanding of the Company.

(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 parent company only financial statements.

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

Note: The parent company of the Company, Taiwan Aerospace Corporation, was a director of the company. It was no longer a related party of the Company after the re-election of the company's board of directors in February 2025.

(c) Significant transactions with related parties

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

	2025	2024
Other related parties	\$ -	1,104

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, 2025 and 2024, the receivables from related parties were \$0 and \$12, respectively, which recorded as trade receivables.

(d) Key management personnel compensation

Key management personnel compensation comprised:

	2025	2024
Short-term employee benefits	\$ 17,887	19,870
Post-employment benefits	533	668
	\$ 18,420	20,538

(Continued)

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

(8) Pledged assets

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

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Refundable deposits – current	Guarantee deposits and customs bond	\$ 91,488	88,381
Refundable deposits – non-current (Note1)	Guarantee deposits	1,136	12,300
Land	Short-term and long-term loans	255,076	255,076
Buildings and structures	Short-term and long-term loans	2,123	2,812
		<u>\$ 349,823</u>	<u>358,569</u>

Note 1: recorded as other non-current assets.

(9) Significant commitments and contingencies**(a) Unrecognized contractual commitments**

- (i) As of December 31, 2025 and 2024, the maintenance bond and customs bond offered by banks amounted to \$1,988,810 and \$2,020,980, respectively.
- (ii) The Company signed contracts with domestic and foreign vendors for building and purchasing property, plant and equipment. As of December 31, 2025 and 2024, the contracts amounted to \$551,943 and \$556,605, respectively, and the unpaid payment was \$399,531 and \$427,708, respectively.

(b) Contingencies: None.**(10) Losses Due to Major Disasters: None****(11) Subsequent Events: None****(12) Other:**

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

By item	By function	2025			2024		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		698,704	136,436	835,140	635,886	141,191	777,077
Labor and health insurance		68,522	17,549	86,071	63,408	16,595	80,003
Pension		34,563	7,000	41,563	32,664	7,031	39,695
Remuneration of directors		-	2,280	2,280	-	2,280	2,280
Others		44,859	8,402	53,261	45,264	8,571	53,835
Depreciation		89,684	17,965	107,649	85,159	15,209	100,368
Amortization		3,163	3,436	6,599	13,838	1,422	15,260

(Continued)

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

The additional information of number of employees and employee benefits in the year 2025 and 2024 was as follows:

	<u>2025</u>	<u>2024</u>
Number of employees	<u>1,133</u>	<u>1,124</u>
Number of non-employee directors	<u>10</u>	<u>10</u>
Average employee benefits	<u>\$ 905</u>	<u>853</u>
Average employee salary	<u>\$ 744</u>	<u>698</u>
Adjustment of average employee salary	<u>6.59 %</u>	<u>2.20 %</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 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:

- (i) 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.
- (ii) 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.

(Continued)

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

(13) Other disclosures:

(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 years ended December 31, 2025:

- (i) Loans to other parties:None
- (ii) Guarantees and endorsements for other parties:None
- (iii) Material securities held as of December 31, 2025 (excluding investment in subsidiaries, associates and joint ventures):None
- (iv) Information regarding related-parties purchases and/or sales exceeding 100 million or 20% of the Company’s paid-in capital:None
- (v) Information regarding receivables from related-parties exceeding 100 million or 20% of the Company’s paid-in capital:None

(b) Information on investees:

The followings are the information on investees for the years ended December 31, 2025 (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, 2025			Net income (losses) of investee	Investment income (loss) recognized	Note
			December 31, 2025	December 31, 2024	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Air Asia Company Ltd. (USA)	Logistic service	6,699	6,699	10	100.00 %	3,023	(103)	(103)	-

(c) Information on investment in mainland China:None

(14) Segment information:

Please refer to the consolidated financial statement for the years ended December 31, 2025.

(Continued)

AIR ASIA CO., LTD.

Statement of cash and cash equivalents

December 31, 2025

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash	Cash on hand	\$ 72
	Petty cash	759
		<u>831</u>
Bank deposits	Demand deposits	187,575
	Foreign currency demand deposits (USD1,121,222.42 ; exchange rate at 31.43)	35,240
		<u>222,815</u>
Total		<u>\$ 223,646</u>

Statement of contract assets — current

<u>Client name</u>	<u>Description</u>	<u>Amount</u>
Client A	Contract assets for maintenance services	\$ 1,263,519
Other (Note1)	"	49,407
Total		<u>\$ 1,312,926</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 receivables, net
December 31, 2025
(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	\$ 1,094,724
Client B	"	309,957
Client C	"	95,372
Other (Note1)	"	<u>175,682</u>
Subtotal		1,675,735
Less: Loss allowance		<u>(1,241)</u>
Total		<u><u>\$ 1,674,494</u></u>

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

Statement of other receivables

Statement of other receivables, please refer to note 6(d).

AIR ASIA CO., LTD.

Statement of inventories

December 31, 2025

(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	\$ 261,396	269,541	Market price is determined by net realizable value
Repair materials and others	<u>1,031,029</u>	1,039,382	"
	1,292,425		
Less: Allowance for inventory devaluation and obsolescence	<u>267,912</u>		
Total	<u>\$ 1,024,513</u>		

Statement of other current assets

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Other	Temporary payments and advance payments	<u>\$ 2,851</u>

AIR ASIA CO., LTD.

Statement of changes in investments accounted for using the equity method

For the year ended December 31, 2025

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Beginning Balance		Addition		Decrease		Investment income (loss)	Exchange differences 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	-	-	-	-	(103)	(135)	10,000	100 %	3,023	USD 9.62	3,023	None

AIR ASIA CO., LTD.

Statement of changes in property, plant and equipment

For the year ended December 31, 2025

(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).

Statement of other non-current assets

December 31, 2025

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

AIR ASIA CO., LTD.

Statement of short-term borrowings

December 31, 2025

(Expressed in thousands of New Taiwan Dollars)

Type	Description	Amount	Contract period	Range of interest rates	Credit line	Collateral
Credit loan	Taipei Fubon Bank	\$ 180,000	Within a year	1.9239%	180,000	None
Credit loan	The Export-Import Bank of the Republic of China	100,000	Within a year	1.8821%	300,000	None
Credit loan	Taiwan Cooperative Bank	59,000	Within a year	1.8780%	100,000	None
Credit loan	Bank of Taiwan	100,000	Within a year	1.8850%	200,000	None
Credit loan	Hua Nan Bank	150,000	Within a year	1.9500%	150,000	None
Credit loan	Chang Hwa Bank	100,000	Within a year	1.9750%	100,000	None
Credit loan	Taishin International Bank	100,000	Within a year	1.9800%	300,000	None
	Total	<u>\$ 789,000</u>				

Statement of trade payables

Client name	Description	Amount
Non-related-parties:		
Vendor A	Trade payables due to purchasing goods	\$ 70,730
Vendor B	"	28,236
Vendor C	"	24,145
Vendor D	"	21,816
Other (Note1)	"	<u>241,097</u>
Total		<u>\$ 386,024</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, 2025

(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>6,344</u></u>
Other payables:		
Salaries and bonuses payable	Salaries payable for December, year-end bonuses and non-leaving pay	\$ 231,689
Pension and labor insurance payable	Pension and labor insurance payable	28,143
Employee compensation payable	Employee compensation payable	10,908
Other	Interest, professional service fees, royalty fees, equipment and sales tax payable	<u>63,925</u>
		<u>\$ <u>334,665</u></u>
Other current liabilities:		
Collection	Withholding income tax, pension and labor insurance	\$ 8,696
Temporary credits	Other temporary credits	<u>1,313</u>
		<u>\$ <u>10,009</u></u>

AIR ASIA CO., LTD.

Statement of provisions - current

December 31, 2025

(Expressed in thousands of New Taiwan Dollars)

Statement of provisions – current, please refer to note 6(l).

Statement of lease liabilities

Item	Description	Lease term	Discount rate	Amount
Land	Leases land	2018.07.01~2027.12.31	1.00%~1.947%	\$ 187,819
Buildings and structures	Leases dormitory and office	2023.01.01~2026.08.31	1.947%	314
Transportation equipment	Car rental	2022.10.31~2029.09.17	1.947%~1.98%	5,244
				<u>\$ 193,377</u>

AIR ASIA CO., LTD.

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

December 31, 2025

(Expressed in thousands of New Taiwan Dollars)

<u>Bank name</u>	<u>Description</u>	<u>Amount</u>		<u>Contract period</u>	<u>Interest rate</u>	<u>Collateral</u>
		<u>One year due</u>	<u>Longer than one-year due</u>			
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 12 installments, respectively, with every 3 months as one installment.	\$ 25,000	-	2026.6.17	2.1280%	None
Taipei Fubon Bank	Secured loans Monthly interest payments and first installment starting from two years, three years, and three years after one month maturity following the first drawdown, repaid by 60, 84 and 84 installments, respectively, with every month as one installment.	13,867	236,133	2031.4.15, 2034.4.30 and 2034.8.23	1.4250%	Land, buildings and structures
The Export-Import Bank of the Republic of China	Unsecured loans Monthly interest payments and repayment at maturity.	89,000	-	2026.1.6 and 2026.7.20	2.1137% and 2.1558%	None
		<u>\$ 127,867</u>	<u>\$ 236,133</u>			

AIR ASIA CO., LTD.**Statement of operating revenue****For the year ended December 31, 2025****(Expressed in thousands of New Taiwan Dollars)**

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

AIR ASIA CO., LTD.

Statement of operating costs

For the year ended December 31, 2025

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Raw materials, beginning of year	\$ 1,052,715
Add: Raw materials purchased	3,294,259
Transferred from manufacturing expense	11,966
Less: Raw materials, end of year	891,490
Raw materials sold	174,816
Raw materials scrapped	6,308
Losses on physical inventory	7
Transferred to operating expenses	<u>5,813</u>
Raw materials used	<u>3,280,506</u>
Direct labor	429,127
Manufacturing expense	<u>694,315</u>
Manufacturing cost	<u>4,403,948</u>
Add: Work in process, beginning of year	166,289
Less: Work in process, end of year	<u>139,539</u>
Cost of finished goods	<u>4,430,698</u>
Add: Finished goods, beginning of year	387,206
Less: Finished goods, end of year	<u>261,396</u>
Cost of sale of finished goods	<u>4,556,508</u>
Add: Cost of sale of raw materials	174,816
Write-off for inventories scrapped	6,308
Unallocated production overheads	141,381
Provision for inventory obsolescence	10,565
Losses on physical inventory	<u>7</u>
Total	<u><u>\$ 4,889,585</u></u>

AIR ASIA CO., LTD.

Statement of operating expense

For the year ended December 31, 2025

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Selling expenses</u>	<u>Administrative expenses</u>	<u>Research and development expenses</u>	<u>Expected credit losses</u>	<u>Total</u>
Salary and wages	\$ 47,513	89,400	8,803	-	145,716
Insurance expense	4,091	14,205	783	-	19,079
Meal expense	2,231	3,941	391	-	6,563
Taxes	801	3,730	52	-	4,583
Entertainment expense	1,683	1,371	48	-	3,102
Commission expense	10,724	-	-	-	10,724
Depreciation expense	368	10,942	6,655	-	17,965
Travelling expense	3,243	2,261	444	-	5,948
Professional service fees	736	7,305	6,131	-	14,172
Expected credit losses	-	-	-	8,545	8,545
Other expense	<u>3,296</u>	<u>30,982</u>	<u>2,857</u>	<u>-</u>	<u>37,135</u>
Total	<u>\$ 74,686</u>	<u>164,137</u>	<u>26,164</u>	<u>8,545</u>	<u>273,532</u>

Statement of non-operating income and expenses

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