

**(English Translation of Consolidated Financial Statements Originally Issued in Chinese)**

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

**Consolidated Financial Statements**

**With Independent Auditors' Review Report  
For the Nine Months Ended September 30, 2022 and 2021**

Address: No. 1050, Jichang Rd., Rende Dist., Tainan City, Taiwan, R.O.C.  
Telephone: (06)2681911

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

## Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statement of Comprehensive Income	5
6. Consolidated Statement of Changes in Equity	6
7. Consolidated Statement of Cash Flows	7
8. Notes to the Consolidated Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the consolidated financial statements	8
(3) New standards, amendments and interpretations adopted	8~9
(4) Summary of significant accounting policies	10
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	10~11
(6) Explanation of significant accounts	11~33
(7) Related-parties transactions	33
(8) Assets pledged as security	34
(9) Significant Commitments and Contingencies	34
(10) Losses Due to Major Disasters	34
(11) Subsequent Events	34
(12) Others	34~35
(13) Other disclosure items	
(a) Information on significant transactions	35~36
(b) Information on investments	36
(c) Information on investment in Mainland China	36
(d) Major shareholders	36~37
(14) Segment information	37

## **Independent Auditors' Review Report**

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

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of AIR ASIA CO., LTD. and its subsidiaries as of September 30, 2022 and 2021, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2022 and 2021, and the statements of changes in equity and cash flows for the nine months ended September 30, 2022 and 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards (“IASs”) 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### **Scope of Review**

We conducted our reviews in accordance with Statement of Auditing Standard 65, “Review of Financial Information Performed by the Independent Auditor of the Entity”. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of AIR ASIA CO., LTD. and its subsidiaries as of September 30, 2022 and 2021, and of its consolidated financial performance for the three months and nine months ended September 30, 2022 and 2021, and its consolidated cash flows for the nine months ended September 30, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IASs 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Tainan, Taiwan (Republic of China)  
November 1, 2022

#### **Notes to Readers**

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**Reviewed only, not audited in accordance with the generally accepted auditing standards as of September 30, 2022 and 2021**

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

**Consolidated Balance Sheets**

**September 30, 2022, December 31, 2021, and September 30, 2021**

(Expressed in Thousands of New Taiwan Dollars)

Assets		September 30, 2022		December 31, 2021		September 30, 2021		Liabilities and Equity		September 30, 2022		December 31, 2021		September 30, 2021	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
<b>Current assets:</b>								<b>Current liabilities:</b>							
1100	Cash and cash equivalents (note 6(a))	\$ 305,664	6	318,848	7	248,340	5	2100	Short-term loans (note 6(l))	\$ 905,000	18	410,000	9	530,000	11
1110	Financial assets at fair value through profit or loss—current (note 6(m))	15	-	305	-	285	-	2110	Short-term notes payable (note 6(k))	849,485	17	949,203	20	799,427	17
1139	Financial assets for hedging—current (note 6(b))	8,846	1	34	-	536	-	2126	Financial liabilities for hedging—current (note 6(b))	11	-	639	-	196	-
1140	Contract assets—current (note 6(t))	904,489	18	762,733	16	926,559	20	2130	Contract liabilities—current (note 6(t))	11,890	-	6,959	-	10,702	-
1170	Notes and trade receivables, net (notes 6(c)(t) and 7)	1,419,717	28	1,404,381	29	1,396,137	30	2170	Trade payables	409,963	8	258,394	5	259,074	6
1200	Other receivables (note 6(d))	2,438	-	1,250	-	2,327	-	2200	Other payables (note 6(r))	230,481	5	285,097	6	272,027	6
130X	Inventories (note 6(b)(e))	1,069,356	21	987,833	21	961,998	20	2250	Provisions—current (note 6(n))	26,219	1	22,236	-	27,562	-
1410	Prepayments (note 6(f))	86,357	2	80,855	2	52,126	1	2280	Lease liabilities—current (note 6(o))	19,367	-	20,220	-	20,418	-
1478	Refundable deposits—current (note 8)	81,333	2	92,062	2	79,392	2	2320	Current portion of bonds payable and long-term loans (notes 6(l)(m))	87,500	2	310,762	7	314,610	7
1479	Other current assets	2,061	-	917	-	1,497	-	2399	Other current liabilities	11,400	-	10,693	-	11,685	-
	<b>Total current assets</b>	<u>3,880,276</u>	<u>78</u>	<u>3,649,218</u>	<u>77</u>	<u>3,669,197</u>	<u>78</u>		<b>Total current liabilities</b>	<u>2,551,316</u>	<u>51</u>	<u>2,274,203</u>	<u>47</u>	<u>2,245,701</u>	<u>47</u>
<b>Non-current assets:</b>								<b>Non-current liabilities:</b>							
1600	Property, plant and equipment (notes 6(g) and 8)	710,500	14	684,554	15	665,278	14	2530	Bonds payable (note 6(m))	149,200	3	-	-	-	-
1755	Right-of-use assets (note 6(h))	256,289	5	274,126	6	246,444	5	2540	Long-term loans (note 6(l))	175,000	4	293,750	6	312,500	7
1780	Intangible assets (note 6(i))	19,646	-	20,376	-	21,809	-	2570	Deferred tax liabilities	39	-	39	-	461	-
1840	Deferred tax assets	63,904	1	68,207	1	63,958	2	2580	Lease liabilities—non-current (note 6(o))	216,772	4	228,311	5	232,507	5
1955	Incremental costs of obtaining contracts—non-current (note 6(t))	4,817	-	9,654	-	11,163	-		<b>Total non-current liabilities</b>	<u>541,011</u>	<u>11</u>	<u>522,100</u>	<u>11</u>	<u>545,468</u>	<u>12</u>
1990	Other non-current assets (notes 6(g)(j) and 8)	83,436	2	34,322	1	36,325	1		<b>Total liabilities</b>	<u>3,092,327</u>	<u>62</u>	<u>2,796,303</u>	<u>58</u>	<u>2,791,169</u>	<u>59</u>
	<b>Total non-current assets</b>	<u>1,138,592</u>	<u>22</u>	<u>1,091,239</u>	<u>23</u>	<u>1,044,977</u>	<u>22</u>		<b>Equity attributable to owners of parent (notes 6(b)(m)(q)(r)):</b>						
								3110	Common stock	1,620,478	32	1,505,641	32	1,503,004	32
								3200	Capital surplus	157,815	3	237,987	5	235,931	5
									Retained earnings:						
								3310	Legal reserve	131,520	3	123,822	3	123,822	3
								3320	Special reserve	613	-	58	-	58	-
								3350	Unappropriated retained earnings	8,824	-	77,259	2	60,032	1
										<u>140,957</u>	<u>3</u>	<u>201,139</u>	<u>5</u>	<u>183,912</u>	<u>4</u>
								3400	Other equity	7,291	-	(613)	-	158	-
									<b>Total equity</b>	<u>1,926,541</u>	<u>38</u>	<u>1,944,154</u>	<u>42</u>	<u>1,923,005</u>	<u>41</u>
									<b>Total liabilities and equity</b>	<u>\$ 5,018,868</u>	<u>100</u>	<u>4,740,457</u>	<u>100</u>	<u>4,714,174</u>	<u>100</u>
	<b>Total assets</b>	<u>\$ 5,018,868</u>	<u>100</u>	<u>4,740,457</u>	<u>100</u>	<u>4,714,174</u>	<u>100</u>								

See accompanying notes to consolidated financial statements.

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

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

**Consolidated Statement of Comprehensive Income**

**For the three months and nine months ended September 30, 2022 and 2021**

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

	For the three months ended				For the nine months ended				
	September 30,				September 30,				
	2022		2021		2022		2021		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	<b>Operating revenue (notes 6(t) and 7)</b>	\$ 1,134,200	100	955,608	100	3,021,072	100	2,872,000	100
5000	<b>Operating costs (notes 6(b)(e)(g)(o)(p)(t)(u), 7 and 12)</b>	1,067,449	94	900,461	94	2,849,774	94	2,717,084	95
5900	<b>Gross profit</b>	66,751	6	55,147	6	171,298	6	154,916	5
6000	<b>Operating expenses (notes 6(c)(o)(p)(u), 7 and 12):</b>								
6100	Selling expenses	14,669	1	13,882	1	42,020	1	41,930	1
6200	Administrative expenses (including covid-19-related rent concessions of \$814, \$814, \$2,498 and \$2,441)	38,767	4	42,948	5	110,834	4	122,573	4
6450	Expected credit losses (gains)	(144)	-	564	-	(110)	-	1,753	-
		53,292	5	57,394	6	152,744	5	166,256	5
6900	<b>Operating income (loss)</b>	13,459	1	(2,247)	-	18,554	1	(11,340)	-
7000	<b>Non-operating income and expenses (notes 6(m)(o)(v)):</b>								
7100	Interest income	64	-	(2)	-	322	-	228	-
7010	Other income (including covid-19-related government grants of \$0, \$0, \$0 and \$78,893)	2,245	-	7,709	1	12,733	-	91,797	3
7020	Other gains and losses	(845)	-	(1,948)	-	46	-	3,470	-
7050	Interest expenses	(7,104)	-	(5,633)	(1)	(20,552)	(1)	(18,934)	(1)
		(5,640)	-	126	-	(7,451)	(1)	76,561	2
7900	<b>Profit (loss) before tax</b>	7,819	1	(2,121)	-	11,103	-	65,221	2
7950	<b>Less: income tax expenses (benefits) (note 6(q))</b>	1,650	-	(1,801)	-	2,327	-	5,464	-
8200	<b>Net profit (loss)</b>	6,169	1	(320)	-	8,776	-	59,757	2
8300	<b>Other comprehensive income (notes 6(b)(q)(r)):</b>								
8310	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>								
8317	Gains on hedging instruments	8,319	1	31	-	17,658	1	340	-
8349	Less: income tax related to components of other comprehensive income that will not be reclassified to profit or loss	891	-	7	-	1,888	-	68	-
		7,428	1	24	-	15,770	1	272	-
8360	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>								
8361	Exchange differences on translation of foreign financial statements	219	-	(1)	-	440	-	(70)	-
8399	Less: income tax related to components of other comprehensive income that will be reclassified to profit or loss	44	-	-	-	88	-	(14)	-
		175	-	(1)	-	352	-	(56)	-
8300	<b>Other comprehensive income, net</b>	7,603	1	23	-	16,122	1	216	-
8500	<b>Total comprehensive income</b>	\$ 13,772	2	(297)	-	24,898	1	59,973	2
	<b>Profit (loss), attributable to:</b>								
8610	Owners of parent	\$ 6,169	1	(320)	-	8,776	-	59,757	2
	<b>Comprehensive income attributable to:</b>								
8710	Owners of parent	\$ 13,772	2	(297)	-	24,898	1	59,973	2
	<b>Earnings per share (note 6(s)) (in New Taiwan dollars)</b>								
9750	<b>Basic earnings per share</b>	\$ 0.04	-	-	-	0.05	-	0.39	-
9850	<b>Diluted earnings per share</b>	\$ 0.04	-	-	-	0.05	-	0.37	-

See accompanying notes to consolidated financial statements.

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**AIR ASIA CO., LTD. AND SUBSIDIARIES  
Consolidated Statement of Changes in Equity  
For the nine months ended September 30, 2022 and 2021  
(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent								Total equity
	Retained earnings					Other equity			
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Gains (losses) on hedging instruments	Total	
<b>Balance at January 1, 2021</b>	\$ 1,311,710	162,544	119,583	-	42,612	(58)	-	(58)	1,636,391
Net profit	-	-	-	-	59,757	-	-	-	59,757
Other comprehensive income	-	-	-	-	-	(56)	272	216	216
Total comprehensive income	-	-	-	-	59,757	(56)	272	216	59,973
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	4,239	-	(4,239)	-	-	-	-
Special reserve	-	-	-	58	(58)	-	-	-	-
Cash dividends	-	-	-	-	(19,676)	-	-	-	(19,676)
Stock dividends	18,364	-	-	-	(18,364)	-	-	-	-
Stock dividends distributed from capital surplus	39,351	(39,351)	-	-	-	-	-	-	-
Conversion of convertible bonds	133,579	112,720	-	-	-	-	-	-	246,299
Disgorgement	-	18	-	-	-	-	-	-	18
<b>Balance at September 30, 2021</b>	<b>\$ 1,503,004</b>	<b>235,931</b>	<b>123,822</b>	<b>58</b>	<b>60,032</b>	<b>(114)</b>	<b>272</b>	<b>158</b>	<b>1,923,005</b>
<b>Balance at January 1, 2022</b>	\$ 1,505,641	237,987	123,822	58	77,259	(129)	(484)	(613)	1,944,154
Net profit	-	-	-	-	8,776	-	-	-	8,776
Other comprehensive income	-	-	-	-	-	352	15,770	16,122	16,122
Total comprehensive income	-	-	-	-	8,776	352	15,770	16,122	24,898
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	7,698	-	(7,698)	-	-	-	-
Special reserve	-	-	-	555	(555)	-	-	-	-
Cash dividends	-	-	-	-	(37,641)	-	-	-	(37,641)
Stock dividends	31,317	-	-	-	(31,317)	-	-	-	-
Stock dividends distributed from capital surplus	81,606	(81,606)	-	-	-	-	-	-	-
Conversion of convertible bonds	1,914	1,434	-	-	-	-	-	-	3,348
Changes in fair value of hedging instrument reclassified to inventories	-	-	-	-	-	-	(8,218)	(8,218)	(8,218)
<b>Balance at September 30, 2022</b>	<b>\$ 1,620,478</b>	<b>157,815</b>	<b>131,520</b>	<b>613</b>	<b>8,824</b>	<b>223</b>	<b>7,068</b>	<b>7,291</b>	<b>1,926,541</b>

See accompanying notes to consolidated financial statements.

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AIR ASIA CO., LTD. AND SUBSIDIARIES

Consolidated Statement of Cash Flows

For the nine months ended September 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30,	
	2022	2021
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 11,103	65,221
<b>Adjustments:</b>		
Adjustments to reconcile profit:		
Depreciation expenses	65,232	59,567
Amortization expenses	5,717	3,123
Expected credit losses (gains)	(110)	1,753
Losses (gains) on valuation of financial assets at fair value through profit or loss	290	(173)
Interest expenses	20,552	18,934
Interest income	(322)	(228)
Gains on disposal of property, plant and equipment	(11)	-
Property, plant and equipment transferred to operating costs	2	-
Gains on lease modification	(2)	-
Unrealized foreign exchange losses (gains)	(180)	139
Total adjustments to reconcile profit	91,168	83,115
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Increase in contract assets – current	(141,756)	(196,036)
Increase in notes and trade receivables, net	(12,432)	(320,102)
Increase in other receivables	(1,553)	(314)
Decrease (increase) in inventories	(81,523)	112,708
Decrease (increase) in prepayments	(5,502)	27,425
Increase in other current assets	(1,144)	(1,412)
Decrease in incremental costs of obtaining contracts – non-current	4,837	9,732
Total changes in operating assets	(239,073)	(367,999)
<b>Changes in operating liabilities:</b>		
Increase in contract liabilities – current	4,931	4,069
Increase (decrease) in trade payables	148,614	(22,155)
Decrease in other payables	(76,388)	(55,590)
Increase in provisions – current	3,983	6,130
Increase in other current liabilities	707	4,168
Total changes in operating liabilities	81,847	(63,378)
Net changes in operating assets and liabilities	(157,226)	(431,377)
Total adjustments	(66,058)	(348,262)
Cash used in operations	(54,955)	(283,041)
Interest received	538	457
Interest paid	(18,135)	(14,742)
Income tax refund	186	10,948
<b>Net cash used in operating activities</b>	(72,366)	(286,378)
<b>Cash flows from (used in) investing activities:</b>		
Decrease in other current assets	-	1,337
Decrease in refundable deposits	9,706	81,893
Acquisition of property, plant and equipment	(49,296)	(20,259)
Proceeds from disposal of property, plant and equipment	11	-
Acquisition of intangible assets	(4,987)	(7,977)
Increase in other non-current assets	(52,611)	(1,863)
<b>Net cash generated from (used in) investing activities</b>	(97,177)	53,131
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term loans	495,000	150,000
Increase (decrease) in short-term notes payable	(99,718)	149,657
Repayments of bonds	(85,400)	-
Proceeds from long-term loans	250,000	100,000
Repayments of long-term loans	(356,250)	(56,250)
Payment of lease liabilities	(10,528)	(20,283)
Cash dividends	(37,641)	-
Disgorgement	-	18
<b>Net cash generated from financing activities</b>	155,463	323,142
<b>Effects of exchange rate changes on balance of cash held in foreign currencies</b>	896	(9)
<b>Net increase (decrease) in cash and cash equivalents</b>	(13,184)	89,886
<b>Cash and cash equivalents at the beginning of year</b>	318,848	158,454
<b>Cash and cash equivalents at end of year</b>	\$ 305,664	248,340

See accompanying notes to consolidated financial statements.

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

**Notes to the Consolidated Financial Statements**

**September 30, 2022 and 2021**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(1) Company history**

AIR ASIA CO., LTD. (the “Company”) was incorporated as a company limited by shares under the Company Act of the Republic of China (R.O.C.) on January 19, 1955. The Company’s registered and operating address is No. 1050, Jichang Rd., Rende Dist., Tainan City, Taiwan, R.O.C.

The consolidated financial statements comprise the Company and its subsidiaries (the “Group”).

The Group’s principal activities consist of maintenances, renovation, upgrades and integrated logistic support services for the aircraft and related components.

The Company listed their shares on the Taiwan Stock Exchange on 22 February 2018.

**(2) Approval date and procedures of the consolidated financial statements:**

The consolidated financial statements were authorized for issuance by the Board of the Company on November 1, 2022.

**(3) New standards, amendments and interpretations adopted:**

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022 :

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

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

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

1. Amendments to IAS1 “Disclosure of Accounting Policies”

The key amendments to IAS1 include:

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

(Continued)

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

- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements.

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

2. Other amendments

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

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

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

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

<b>Standards or Interpretations</b>	<b>Content of amendments</b>	<b>Effective date per IASB</b>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- IFRS 16 “Requirements for Sale and Leaseback Transactions”

(Continued)

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

**(4) Summary of significant accounting policies:**

**(a) Statement of compliance**

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

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

**(b) Basis of consolidation**

1. List of subsidiaries in the consolidated financial statements:

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

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

**(c) Income taxes**

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

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period using the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period. However, if the effective annual tax rate is estimated, the income tax benefit is expected to be generated in the year, but it is net loss before tax for now, then the net loss before tax is multiplied by the effective tax rate, and the amount is recognized as deferred income tax benefit and deferred income tax assets.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

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

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

(Continued)

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

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2021. For related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2021.

**(6) Explanation of significant accounts:**

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and the 2021 consolidated financial statements. Please refer to Note 6 of the 2021 annual consolidated financial statements.

**(a) Cash and cash equivalents**

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Cash and cash on hand	\$ 816	2,993	3,007
Demand deposits	304,848	315,855	245,333
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 305,664</u>	<u>318,848</u>	<u>248,340</u>

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

**(b) Financial instruments used for hedging**

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

**Cash flow hedge:**

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Financial assets for hedging—current:			
Forward exchange contracts	\$ <u>8,846</u>	<u>34</u>	<u>536</u>
Financial liabilities for hedging—current:			
Forward exchange contracts	\$ <u>11</u>	<u>639</u>	<u>196</u>

**1. Cash flow hedge—forward exchange contracts**

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

	<u>September 30, 2022</u>			
	<u>Contract Amount (in thousands)</u>	<u>Currency</u>	<u>Maturity dates</u>	<u>Average strike price</u>
Forward exchange purchased	USD\$ <u>5,647</u>	TWD to USD	2022.10.11~2023.9.19	USD28.257~31.698

(Continued)

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

<b>December 31, 2021</b>				
	<b>Contract Amount (in thousands)</b>	<b>Currency</b>	<b>Maturity dates</b>	<b>Average strike price</b>
Forward exchange purchased	USD\$ <u>7,732</u>	TWD to USD	2022.1.25~2022.9.12	USD27.603~27.921
<b>September 30, 2021</b>				
	<b>Contract Amount (in thousands)</b>	<b>Currency</b>	<b>Maturity dates</b>	<b>Average strike price</b>
Forward exchange purchased	USD\$ <u>7,536</u>	TWD to USD	2021.10.8~2022.5.31	USD27.603~27.97

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

<b>Account Item</b>	<b>July to September, 2022</b>	<b>July to September, 2021</b>	<b>January to September, 2022</b>	<b>January to September, 2021</b>
Recognized in other comprehensive income during the period	\$ <u>7,428</u>	<u>24</u>	<u>15,770</u>	<u>272</u>
Reclassification from equity to decrease in inventories for the period	\$ <u>3,863</u>	<u>386</u>	<u>8,218</u>	<u>386</u>

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

(c) **Notes and trade receivables**

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Notes receivable	\$ -	-	120
Trade receivables (including from related parties)	1,421,301	1,420,423	1,416,262
Less: Loss allowance	<u>(1,584)</u>	<u>(16,042)</u>	<u>(20,245)</u>
<b>Total</b>	<u>\$ 1,419,717</u>	<u>1,404,381</u>	<u>1,396,137</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. If the receivables of government in group 1 will be collected based on the central government budget, the amount of the receivables will be regarded as not overdue with no impairment risk. The loss allowance provision was determined as follows:

(Continued)

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

	<b>September 30, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
<u>Group 1</u>			
Current	\$ <u>1,332,815</u>	0.00%	<u>-</u>
<u>Group 2</u>			
Current	\$ 86,722	0.88%	767
1 to 90 days past due	1,026	7.67%	79
91 to 180 days past due	-	-	-
181 to 270 days past due	-	-	-
271 to 365 days past due	-	-	-
More than 365 days past due	738	100.00%	738
	\$ <u>88,486</u>		<u>1,584</u>
	<b>December 31, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
<u>Group 1</u>			
Current	\$ <u>1,350,540</u>	0.00%	<u>-</u>
<u>Group 2</u>			
Current	\$ 53,927	0.52%	283
1 to 90 days past due	258	24.54%	63
91 to 180 days past due	3	52.51%	1
181 to 270 days past due	-	-	-
271 to 365 days past due	-	-	-
More than 365 days past due	15,695	100.00%	15,695
	\$ <u>69,883</u>		<u>16,042</u>
	<b>September 30, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
<u>Group 1</u>			
Current	\$ <u>1,383,306</u>	0.00%	<u>-</u>
<u>Group 2</u>			
Current	\$ 7,131	4.59%	327
1 to 90 days past due	9,653	40.51%	3,910
91 to 180 days past due	597	52.51%	313
181 to 270 days past due	-	-	-
271 to 365 days past due	2	100.00%	2
More than 365 days past due	15,693	100.00%	15,693
	\$ <u>33,076</u>		<u>20,245</u>

(Continued)

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

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

	<b>For the nine months ended September 30,</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 16,042	44,352
Impairment losses recognized	-	1,753
Impairment losses reversed	(110)	-
Amounts written off	(14,348)	(25,860)
Balance at September 30	<b>\$ 1,584</b>	<b>20,245</b>

In the third quarter of 2021, for overdue receivables that overdue for more than 365 days, the Group acquired the ownership of the debtor's aircraft by appealing to the court for compulsory enforcement and related legal procedures. The fair value of the aircraft amounting to \$2,781 was transferred to other non-current assets—other. The remaining balance of overdue receivables and its allowance amounting to \$25,860 was derecognized.

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

(d) **Other receivables**

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Other receivables—income taxes refund	\$ 79	265	252
Others	2,359	985	2,075
Less: Loss allowance	-	-	-
	<b>\$ 2,438</b>	<b>1,250</b>	<b>2,327</b>

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

(e) **Inventories**

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Repair materials and others	\$ 770,583	735,664	695,357
Finished goods	298,773	252,169	266,641
	<b>\$ 1,069,356</b>	<b>987,833</b>	<b>961,998</b>

The details of the cost of sales were as follows:

	<b>July to September, 2022</b>	<b>July to September, 2021</b>	<b>January to September, 2022</b>	<b>January to September, 2021</b>
Inventory that has been sold and service costs	\$ 1,027,721	850,239	2,715,978	2,536,049
Unallocated production overheads	40,412	45,243	115,655	133,755
Write-down of inventories (reversal of write-downs)	(494)	4,979	18,355	47,300
Losses (gains) on physical inventory	2	-	2	(20)
Revenue from sale of scraps	(192)	-	(216)	-
	<b>\$ 1,067,449</b>	<b>900,461</b>	<b>2,849,774</b>	<b>2,717,084</b>

(Continued)

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

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

**(f) Prepayments**

The details of prepayments were as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Prepayment for materials	\$ 66,305	62,852	26,915
Prepayment of bank performance guarantee fees	7,856	8,092	9,901
Prepayment—other	12,196	9,911	15,310
	<u>\$ 86,357</u>	<u>80,855</u>	<u>52,126</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>
<b>Cost or deemed cost:</b>							
Balance at January 1, 2022	\$ 264,076	678,946	675,726	57,904	93,233	9,898	1,779,783
Additions	-	1,027	11,401	13,621	770	43,866	70,685
Disposals	-	-	(1,904)	(1,048)	-	-	(2,952)
Reclassification	-	-	3,890	-	630	(2)	4,518 (Note)
Balance at September 30, 2022	<u>\$ 264,076</u>	<u>679,973</u>	<u>689,113</u>	<u>70,477</u>	<u>94,633</u>	<u>53,762</u>	<u>1,852,034</u>
Balance at January 1, 2021	\$ 255,076	658,546	664,028	52,252	93,530	7,550	1,730,982
Additions	-	1,208	13,593	5,458	-	-	20,259
Disposals	-	-	(2,485)	(923)	-	-	(3,408)
Reclassification	-	-	182	-	-	(182)	-
Balance at September 30, 2021	<u>\$ 255,076</u>	<u>659,754</u>	<u>675,318</u>	<u>56,787</u>	<u>93,530</u>	<u>7,368</u>	<u>1,747,833</u>
<b>Accumulated depreciation and impairment loss:</b>							
Balance at January 1, 2022	\$ -	425,220	564,395	46,064	59,550	-	1,095,229
Depreciation	-	14,507	25,446	4,881	4,423	-	49,257
Disposals	-	-	(1,904)	(1,048)	-	-	(2,952)
Balance at September 30, 2022	<u>\$ -</u>	<u>439,727</u>	<u>587,937</u>	<u>49,897</u>	<u>63,973</u>	<u>-</u>	<u>1,141,534</u>
Balance at January 1, 2021	\$ -	405,240	533,200	44,687	54,624	-	1,037,751
Depreciation	-	15,054	25,901	2,925	4,332	-	48,212
Disposals	-	-	(2,485)	(923)	-	-	(3,408)
Balance at September 30, 2021	<u>\$ -</u>	<u>420,294</u>	<u>556,616</u>	<u>46,689</u>	<u>58,956</u>	<u>-</u>	<u>1,082,555</u>
<b>Carrying value:</b>							
Balance at January 1, 2022	<u>\$ 264,076</u>	<u>253,726</u>	<u>111,331</u>	<u>11,840</u>	<u>33,683</u>	<u>9,898</u>	<u>684,554</u>
Balance at September 30, 2022	<u>\$ 264,076</u>	<u>240,246</u>	<u>101,176</u>	<u>20,580</u>	<u>30,660</u>	<u>53,762</u>	<u>710,500</u>
Balance at January 1, 2021	<u>\$ 255,076</u>	<u>253,306</u>	<u>130,828</u>	<u>7,565</u>	<u>38,906</u>	<u>7,550</u>	<u>693,231</u>
Balance at September 30, 2021	<u>\$ 255,076</u>	<u>239,460</u>	<u>118,702</u>	<u>10,098</u>	<u>34,574</u>	<u>7,368</u>	<u>665,278</u>

(Continued)

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

Note : The amount of \$4,520 transferred from other non-current assets — prepayment for equipment and the amount of \$2 transferred to operating costs.

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

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

The Group leases land, buildings and structures, machinery and transportation equipment. Information about leases for which the Group as a lessee is presented below:

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Total</u>
<b>Cost:</b>					
Balance at January 1, 2022	\$ 281,495	33,723	603	8,188	324,009
Additions	217	651	-	-	868
Reduction	(232)	(653)	(603)	-	(1,488)
Balance at September 30, 2022	<u>\$ 281,480</u>	<u>33,721</u>	<u>-</u>	<u>8,188</u>	<u>323,389</u>
Balance at January 1, 2021	\$ 281,495	1,628	603	7,601	291,327
Additions	-	-	-	1,925	1,925
Reduction	-	-	-	(1,338)	(1,338)
Balance at September 30, 2021	<u>\$ 281,495</u>	<u>1,628</u>	<u>603</u>	<u>8,188</u>	<u>291,914</u>
<b>Accumulated depreciation and impairment loss:</b>					
Balance at January 1, 2022	\$ 44,447	1,010	569	3,857	49,883
Depreciation	11,109	5,283	34	2,047	18,473
Reduction	-	(653)	(603)	-	(1,256)
Balance at September 30, 2022	<u>\$ 55,556</u>	<u>5,640</u>	<u>-</u>	<u>5,904</u>	<u>67,100</u>
Balance at January 1, 2021	\$ 29,631	520	369	2,492	33,012
Depreciation	11,112	513	150	2,021	13,796
Reduction	-	-	-	(1,338)	(1,338)
Balance at September 30, 2021	<u>\$ 40,743</u>	<u>1,033</u>	<u>519</u>	<u>3,175</u>	<u>45,470</u>
<b>Carrying value:</b>					
Balance at January 1, 2022	<u>\$ 237,048</u>	<u>32,713</u>	<u>34</u>	<u>4,331</u>	<u>274,126</u>
Balance at September 30, 2022	<u>\$ 225,922</u>	<u>28,082</u>	<u>-</u>	<u>2,284</u>	<u>256,289</u>
Balance at January 1, 2021	<u>\$ 251,864</u>	<u>1,108</u>	<u>234</u>	<u>5,109</u>	<u>258,315</u>
Balance at September 30, 2021	<u>\$ 240,752</u>	<u>595</u>	<u>84</u>	<u>5,013</u>	<u>246,444</u>

**(i) Intangible assets**

The details of intangible assets were as follows:

	<u>Acquired special technology</u>	<u>Software</u>	<u>Total</u>
<b>Carrying value:</b>			
Balance at January 1, 2022	<u>\$ 3,647</u>	<u>16,729</u>	<u>20,376</u>
Balance at September 30, 2022	<u>\$ 4,141</u>	<u>15,505</u>	<u>19,646</u>
Balance at January 1, 2021	<u>\$ 4,373</u>	<u>775</u>	<u>5,148</u>
Balance at September 30, 2021	<u>\$ 4,397</u>	<u>17,412</u>	<u>21,809</u>

(Continued)

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

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

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

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

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Prepayment for equipment	\$ 39,017	1,018	1,877
Refundable deposits – non-current	27,785	26,762	26,572
Other non-current assets – other	16,634	6,542	7,876
	<u>\$ 83,436</u>	<u>34,322</u>	<u>36,325</u>

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

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

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Commercial paper payable	<u>\$ 849,485</u>	<u>949,203</u>	<u>799,427</u>

For the nine months ended September 30, 2022 and 2021, the Group had the additional short-term notes payable amounting to \$149,887 and \$699,391, respectively, with an interest rate of 1.305%~1.5% and 0.938%~1%, respectively, maturing in August to October, 2022 and October to November, 2021, respectively.

For the nine months ended September 30, 2022 and 2021, the repayment amounted to \$249,605 and \$549,734, respectively.

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

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

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Unsecured bank loans – NTD	\$ 905,000	410,000	530,000
Long-term unsecured bank loans – NTD	262,500	368,750	387,500
Total	<u>\$ 1,167,500</u>	<u>778,750</u>	<u>917,500</u>
Current	\$ 992,500	485,000	605,000
Non-current	175,000	293,750	312,500
Total	<u>\$ 1,167,500</u>	<u>778,750</u>	<u>917,500</u>
Unused short-term loans credit lines	<u>\$ 405,000</u>	<u>740,000</u>	<u>620,000</u>
Unused long-term loans credit lines	<u>\$ 300,000</u>	<u>200,000</u>	<u>100,000</u>
Range of short-term loans interest rates	<u>0.910%~1.521%</u>	<u>0.256%~0.92%</u>	<u>0.255%~0.929%</u>
Range of long-term loans interest rates	<u>1.45%~1.50%</u>	<u>1.25%~1.30%</u>	<u>1.25%~1.30%</u>
Long-term loans due year	<u>2024~2026</u>	<u>2023~2024</u>	<u>2023~2024</u>

(Continued)

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

For the nine months ended September 30, 2022 and 2021, the Group had the additional long-term loans amounting to \$250,000 and \$100,000, respectively, with an interest rate of 1.50% and 1.25%, respectively, maturing in June, 2026 and July, 2023, respectively.

For the nine months ended September 30, 2022 and 2021, the repayment amounted to \$356,250 and \$56,250, respectively.

Assets pledged are disclosed in note 8.

**(m) Bonds payable**

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Total convertible corporate bonds issued	\$ 500,000	500,000	500,000
Cumulative converted amount	(262,000)	(258,600)	(253,800)
Repayment of corporate bonds	(85,400)	-	-
Unamortized discounted corporate bonds payable	(3,400)	(5,638)	(6,590)
Corporate bonds issued balance at year-end	<u>\$ 149,200</u>	<u>235,762</u>	<u>239,610</u>
Current	\$ -	235,762	239,610
Non-current	149,200	-	-
Total	<u>\$ 149,200</u>	<u>235,762</u>	<u>239,610</u>
Embedded derivative – put and redeem options, included in financial assets at fair value through profit or loss	<u>\$ 15</u>	<u>305</u>	<u>285</u>
Equity component – conversion options, included in capital surplus– conversion of convertible bonds	<u>\$ 7,849</u>	<u>10,960</u>	<u>11,171</u>
	<b>July to September, 2022</b>	<b>July to September, 2021</b>	<b>January to September, 2022</b>
Embedded derivative – put and redeem options, included in gains (losses) on financial assets at fair value through profit or loss	<u>\$ (47)</u>	<u>(365)</u>	<u>(290)</u>
Interest expense (effective interest rate of 1.28%~1.69%)	<u>\$ 510</u>	<u>850</u>	<u>2,186</u>
	<u>4,177</u>		<u>4,177</u>

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

For the nine months ended September 30, 2022 and 2021, the relevant information about the convertible bonds issued by the Group were converted into common stock, please refer to note 6(r).

For the nine months ended September 30, 2022, the repayment of corporate bonds amounted to \$85,400, and the amount of \$2,958 from capital surplus– conversion of convertible bonds transferred to capital surplus–expired conversion of convertible bonds.

(Continued)

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

(n) **Provisions**

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Warranties	\$ <u>26,219</u>	<u>22,236</u>	<u>27,562</u>

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

(o) **Lease liabilities**

The carrying value of lease liabilities was as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Current	\$ 19,367	20,220	20,418
Non-current	<u>216,772</u>	<u>228,311</u>	<u>232,507</u>
	<u>\$ 236,139</u>	<u>248,531</u>	<u>252,925</u>

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

The amounts recognized in profit or loss were as follows:

	<u>July to September, 2022</u>	<u>July to September, 2021</u>	<u>January to September, 2022</u>	<u>January to September, 2021</u>
Interest on lease liabilities	\$ <u>590</u>	<u>633</u>	<u>1,776</u>	<u>1,929</u>
Expenses relating to short-term leases	\$ <u>534</u>	<u>576</u>	<u>2,377</u>	<u>2,036</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>43</u>	<u>26</u>	<u>112</u>	<u>91</u>
Covid-19-related rent concessions	\$ <u>814</u>	<u>814</u>	<u>2,498</u>	<u>2,441</u>

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

	<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Total cash outflow for leases	\$ <u>14,793</u>	<u>24,339</u>

1. Real estate leases

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

2. Other leases

The Group leases machinery and transportation equipment, with lease terms of two to three years.

(Continued)

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

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

(p) **Employee benefits**

Defined contribution plans

The Group's expenses under the pension plan cost to the Bureau of Labor Insurance for the three months and nine months ended September 30, 2022 and 2021 were as follows:

	<b>July to September, 2022</b>	<b>July to September, 2021</b>	<b>January to September, 2022</b>	<b>January to September, 2021</b>
Operating cost	\$ 7,722	7,584	23,181	22,601
Selling expenses	512	478	1,504	1,445
Administration expenses	1,143	1,099	2,920	3,407
Total	<u>\$ 9,377</u>	<u>9,161</u>	<u>27,605</u>	<u>27,453</u>

(q) **Income taxes**

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

	<b>July to September, 2022</b>	<b>July to September, 2021</b>	<b>January to September, 2022</b>	<b>January to September, 2021</b>
Current tax expenses				
Adjustment for prior periods	\$ -	-	-	(1)
Deferred tax expense (benefit)				
Origination and reversal of temporary differences	1,650	(1,801)	2,327	5,465
Income tax expenses (benefit)	<u>\$ 1,650</u>	<u>(1,801)</u>	<u>2,327</u>	<u>5,464</u>

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

	<b>July to September, 2022</b>	<b>July to September, 2021</b>	<b>January to September, 2022</b>	<b>January to September, 2021</b>
Items that will not be reclassified subsequently to profit or loss:				
Gains on hedging instruments	\$ <u>891</u>	<u>7</u>	<u>1,888</u>	<u>68</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign financial statement	\$ <u>44</u>	<u>-</u>	<u>88</u>	<u>(14)</u>

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

(Continued)

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

(r) **Capital and other equity**

As of September 30, 2022, December 31 and September 30, 2021, all of the authorized common stock of the Company was \$2,100,000, comprising 210,000 thousand shares, with a par value of \$10 per share. The issued shares were 162,048, 150,564 and 150,300 thousand shares. All the capitals were fully received.

Except for the following disclosure, there was no significant change in capital and other equity for the periods from January 1 to September 30, 2022 and 2021. For the related information, please refer to note 6(r) of the consolidated financial statements for the year ended December 31, 2021.

1. Common stock

On June 15, 2022, the shareholders' meeting resolved to issue 11,292 thousand new shares by its earnings and capital surplus in the amount of \$31,317 and \$81,606, respectively, with a par value of \$10 per share. The Company resolved the basis date of the increase capital to be September 5, 2022, and the registration procedures have been completed.

On August 25, 2021, the shareholders' meeting resolved to issue 5,772 thousand new shares by its earnings and capital surplus in the amount of \$18,364 and \$39,351, respectively, with a par value of \$10 per share. The Company resolved the basis date of the increase capital to be December 6, 2021, and the registration procedures have been completed.

For the nine months ended September 30, 2022 and 2021, the convertible bonds issued by the Company amounting to \$1,914 and \$133,579, respectively, were converted into 191 and 13,358 thousand shares of common stock, respectively. As of September 30, 2022 and 2021, for the 119 and 63 thousand shares, respectively, the related registration procedures have not been completed.

2. Capital surplus

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

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Additional paid-in capital	\$ 46,927	126,946	124,679
Gain on disposal of assets	100,063	100,063	100,063
Conversion of convertible bonds	7,849	10,960	11,171
Expired conversion of convertible bonds	2,958	-	-
Other — disgorgement	18	18	18
	<b><u>\$ 157,815</u></b>	<b><u>237,987</u></b>	<b><u>235,931</u></b>

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

The shareholders' meeting resolved on August 25, 2021 to issue new shares by its capital surplus in the amount of \$39,351 (NT\$ 0.3 per share).

(Continued)

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

3. Retained earnings

The Company's Articles of Incorporation provide that the current net income, after deducting the previous years' losses, shall set aside 10% as legal reserve and special reserve according to the relevant laws and other regulations of R.O.C. Then the balance is added up with the accumulated retained earnings in the previous year. The distribution of the remaining portion, if any, will be proposed by the board of directors for approval in the board of directors meeting.

If dividend is distributed in issued new shares, shall be made in accordance with the provisions of Article 240 of the Company Law. If dividend is distributed in cash, the board of directors shall be attended by two-thirds of the total directors, and resolved by a majority votes at the board of directors, to distribute dividends and bonuses in whole or in part to be paid in cash, and report to the shareholders' meeting.

The 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.

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

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

(Continued)

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

4. Other equity (net of tax)

	<b>Exchange differences on translation of foreign financial statements</b>	<b>Gains (losses) on hedging instruments</b>	<b>Total</b>
Balance at January 1, 2022	\$ (129)	(484)	(613)
Exchange differences on foreign operations	352	-	352
Changes in fair value of hedging instrument	-	15,770	15,770
Changes in fair value of hedging instrument reclassified to inventories	-	(8,218)	(8,218)
Balance at September 30, 2022	<u>\$ 223</u>	<u>7,068</u>	<u>7,291</u>
Balance at January 1, 2021	\$ (58)	-	(58)
Exchange differences on foreign operations	(56)	-	(56)
Changes in fair value of hedging instrument	-	685	658
Changes in fair value of hedging instrument reclassified to inventories	-	(386)	(386)
Balance at September 30, 2021	<u>\$ (114)</u>	<u>272</u>	<u>158</u>

(s) **Earnings per share**

For the three months and nine months ended September 30, 2022 and 2021, the Company's earnings per share were calculated as follows:

	Unit of share: thousand			
	<b>July to September, 2022</b>	<b>July to September, 2021</b>	<b>January to September, 2022</b>	<b>January to September, 2021</b>
<b>Basic earnings per share</b>				
Profit (loss) attributable to common shareholders of the Company	\$ <u>6,169</u>	<u>(320)</u>	<u>8,776</u>	<u>59,757</u>
Weighted-average number of shares	<u>162,012</u>	<u>161,587</u>	<u>161,916</u>	<u>153,758</u>
	<u>\$ 0.04</u>	<u>-</u>	<u>0.05</u>	<u>0.39</u>
<b>Diluted earnings per share</b>				
Profit (loss) attributable to common shareholders of the Company	\$ 6,169	(320)	8,776	59,757
Effect of dilutive ordinary shares:				
Convertible bonds	-	-	-	4,039
Profit (loss) attributable to common shareholders of the Company (diluted)	<u>\$ 6,169</u>	<u>(320)</u>	<u>8,776</u>	<u>63,796</u>

(Continued)

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

	July to September, 2022	July to September, 2021	January to September, 2022	January to September, 2021
Weighted-average number of shares	162,012	161,587	161,916	153,758
Effect of dilutive ordinary shares:				
Remuneration to employees	13	-	29	84
Convertible bonds	-	-	-	20,862
Weighted-average number of shares (diluted)	<u>162,025</u>	<u>161,587</u>	<u>161,945</u>	<u>174,704</u>
	<u>\$ 0.04</u>	<u>-</u>	<u>0.05</u>	<u>0.37</u>

For the three months ended September 30, 2022 and 2021, and for the nine months ended September 30, 2022, there is an anti-diluted effect on convertible bonds. For the three months ended September 30, 2021, there is an anti-diluted effect on remuneration to employees.

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

1. Disaggregation of revenue

	July to September, 2022	July to September, 2021	January to September, 2022	January to September, 2021
<u>Primary geographical markets</u>				
Taiwan	\$ 1,057,655	846,382	2,714,024	2,593,332
Asia	48,688	72,255	201,796	186,175
Other	27,857	36,971	105,252	92,493
	<u>\$ 1,134,200</u>	<u>955,608</u>	<u>3,021,072</u>	<u>2,872,000</u>
<u>Major services and timing of revenue recognition</u>				
At a point in time				
Repair supply pricing	18,834	23,088	83,798	100,500
Outsourced repair and air material transaction	324,674	280,721	778,721	853,557
Subtotal	<u>343,508</u>	<u>303,809</u>	<u>862,519</u>	<u>954,057</u>
Over time				
Aircraft maintenance	239,786	159,175	758,105	527,488
Fleet maintenance	110,917	124,800	356,123	333,662
Components maintenance	439,989	367,824	1,044,325	1,056,793
Subtotal	<u>790,692</u>	<u>651,799</u>	<u>2,158,553</u>	<u>1,917,943</u>
Total	<u>\$ 1,134,200</u>	<u>955,608</u>	<u>3,021,072</u>	<u>2,872,000</u>

2. Contract balances

	September 30, 2022	December 31, 2021	September 30, 2021
Notes and trade receivables	\$ 1,421,301	1,420,423	1,416,382
Less: Loss allowance	(1,584)	(16,042)	(20,245)
Total	<u>\$ 1,419,717</u>	<u>1,404,381</u>	<u>1,396,137</u>
Contract assets – Maintenance service	<u>\$ 904,489</u>	<u>762,733</u>	<u>926,559</u>
Contract liabilities – Maintenance service	<u>\$ 11,890</u>	<u>6,959</u>	<u>10,702</u>

(Continued)

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

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

The amount of revenue recognized for the nine months ended September 30, 2022 and 2021 that were included in the contract liability balance at the beginning of the period were \$6,410 and \$5,341, respectively.

The major change in the balance of contract assets and contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

3. Assets recognized from costs to obtain a contract

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Incremental costs of obtaining contracts — non-current	\$ 33,545	61,074	59,317
Less: accumulated amortization	<u>(28,728)</u>	<u>(51,420)</u>	<u>(48,154)</u>
Total	<u>\$ 4,817</u>	<u>9,654</u>	<u>11,163</u>

The related expenses of stamp tax paid by the Group for the acquisition of the aircraft maintenance business are expected to be recoverable and therefore were recognized as assets and amortized over the contract period of the aircraft maintenance business. Amortization expenses of \$1,612, \$3,244, \$4,837 and \$9,732 were recognized for the three months and nine months ended September 30, 2022 and 2021.

(u) **Remunerations to employees**

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

The remunerations to employees amounted to \$160, \$(4), \$227 and \$1,377 for the three-months and nine-months ended September 30, 2022 and 2021, respectively. These amounts were calculated using the Company's net income before tax without the remunerations to employees for each period, multiplied by the proposed percentage which is stated under the Company's proposed Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholder' meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year.

For the years ended December 31, 2021 and 2020, the remunerations to employees amounted to \$1,591 and \$678, respectively. The remuneration of employees has no differences between the estimated amounts and the amounts approved by the board of directors. The related information can be accessed through the Market Observation Post System.

(Continued)

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

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

1. Other income

	<u>July to September, 2022</u>	<u>July to September, 2021</u>	<u>January to September, 2022</u>	<u>January to September, 2021</u>
Government grants	\$ -	-	-	78,893
Rent income	348	348	1,043	1,043
Other income – others	<u>1,897</u>	<u>7,361</u>	<u>11,690</u>	<u>11,861</u>
	<u>\$ 2,245</u>	<u>7,709</u>	<u>12,733</u>	<u>91,797</u>

The Group received a wage subsidy and working capital subsidy of \$78,893 for the nine months ended September 30, 2021. This is a relief measure provided by the R.O.C government in response to the Covid-19 pandemic. The Group has the right to receive the grant because it has met the application requirements of the aforementioned wage subsidy and working capital subsidy relief measure. This grant was recognized in profit or loss under other income. As of September 30, 2021, the receivables related to this grant was fully received.

2. Other gains and losses

	<u>July to September, 2022</u>	<u>July to September, 2021</u>	<u>January to September, 2022</u>	<u>January to September, 2021</u>
Gains on disposals of property, plant and equipment	\$ -	-	11	-
Foreign exchange gains, net	1,749	887	8,382	10,573
Gains (losses) on valuation of financial assets at fair value through profit or loss	(47)	(365)	(290)	173
Handing fees	(2,546)	(2,470)	(8,051)	(7,264)
Others	<u>(1)</u>	<u>-</u>	<u>(6)</u>	<u>(12)</u>
	<u>\$ (845)</u>	<u>(1,948)</u>	<u>46</u>	<u>3,470</u>

(w) **Financial instruments**

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For related information, please refer to note 6(w) of the consolidated financial statements for the year ended December 31, 2021.

1. Credit risk

(i) Credit risk exposure

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

(Continued)

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

(ii) Concentration of credit risk

As of September 30, 2022, December 31 and September 30, 2021, a few customers of the Group accounted for 79%, 74% and 82%, respectively, of accounts receivable. As of the end of the reporting period, the Group did not suffer any significant credit risk losses due to these customers. The Group periodically evaluates customers' financial position and the possibility of recovery of receivables in order to reduce credit risk.

(iii) Credit risk exposure of receivables and other financial assets at amortized cost

For credit risk exposure on notes, trade and overdue receivables, and the details on loss allowance provision, please refer to note 6(c).

Other financial assets at amortized cost include other receivables and refundable deposit. There was no loss allowance recognized or reversed for the nine months ended September 30, 2022 and 2021. All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected credit losses.

2. Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
<b>September 30, 2022</b>						
Non-derivative financial liabilities						
With floating interest rates	\$ 1,167,500	1,176,792	998,495	89,485	88,812	-
With fixed interest rates	998,685	1,006,453	850,000	156,453	-	-
Non-interest-bearing liabilities						
Lease liabilities	640,444	640,444	640,444	-	-	-
Derivative financial liabilities	236,139	254,246	21,621	16,998	48,821	166,806
Forward exchange contracts:						
Outflow	11	4,079	4,079	-	-	-
Inflow	-	(4,068)	(4,068)	-	-	-
	<u>\$ 3,042,779</u>	<u>3,077,946</u>	<u>2,510,571</u>	<u>262,936</u>	<u>137,633</u>	<u>166,806</u>
<b>December 31, 2021</b>						
Non-derivative financial liabilities						
With floating interest rates	\$ 778,750	787,405	489,854	177,894	119,657	-
With fixed interest rates	1,184,965	1,193,993	1,193,993	-	-	-
Non-interest-bearing liabilities						
Lease liabilities	543,491	543,491	543,491	-	-	-
Derivative financial liabilities	248,531	264,608	19,441	17,313	48,843	179,011
Forward exchange contracts:						
Outflow	639	196,773	196,773	-	-	-
Inflow	-	(196,134)	(196,134)	-	-	-
	<u>\$ 2,756,376</u>	<u>2,790,136</u>	<u>2,247,418</u>	<u>195,207</u>	<u>168,500</u>	<u>179,011</u>

(Continued)

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

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

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

### 3. Market risk

#### (i) Currency risk

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

	<u>September 30, 2022</u>			<u>December 31, 2021</u>			<u>September 30, 2021</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 8,865	31.75	281,463	7,939	27.68	219,752	3,200	27.85	89,108
<u>Non-monetary items</u>									
USD	5,518	31.75	175,197	637	27.68	17,632	4,780	27.85	133,123
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	8,884	31.75	282,507	5,271	27.68	145,901	5,543	27.85	154,361
<u>Non-monetary items</u>									
USD	129	31.75	4,095	7,095	27.68	196,390	2,756	27.85	76,763

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade receivable, and trade and other payables that are denominated in foreign currency.

As of September 30, 2022 and 2021, when the exchange rate of the NTD versus the USD increases or decreases by 1%, given no changes in other factors, profit after tax will increase or decrease by \$5 and \$522, respectively, and the equity will increase or decrease by \$71 and \$3 due to cash flow hedges, respectively. This analysis was performed on a consistent basis for both periods.

Exchange gains or losses (including realized and unrealized) that resulted from monetary items translated to the functional currency were as follows:

(Continued)

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

	January to September, 2022		January to September, 2021	
	Exchange gain (loss)	Average rate	Exchange gain (loss)	Average rate
NTD	\$ <b>8,382</b>	-	<b>10,573</b>	-

(ii) Interest rate analysis

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

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

If the interest rate had increased or decreased by 1%, the Group's net profit would have decreased or increased by \$7,005 and \$5,505 for the nine months ended September 30, 2022 and 2021, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at floating rates.

4. Fair value of financial instruments

(i) Fair value hierarchy

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

	Carrying amount	September 30, 2022			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss</b>					
Financial assets designated at fair value through profit or loss	\$ <u>15</u>	-	15	-	15
<b>Financial assets for hedging</b>	\$ <u>8,846</u>	-	8,846	-	8,846
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 305,664	-	-	-	-
Notes and trade receivables	1,419,717	-	-	-	-
Other receivables	2,359	-	-	-	-
Refundable deposits – current	81,333	-	-	-	-
Refundable deposits – non-current (recorded as other non-current assets)	<u>27,785</u>	-	-	-	-
	<b>\$1,836,858</b>				

(Continued)



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

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

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

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

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

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

Financial liabilities measured at amortized cost

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

The valuations of the liability part of the convertible bonds issued by the Group are valued by discounted cash flows.

(Continued)

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

(iii) Valuation techniques for financial instruments measured at fair value

Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Put options and redeem options of the convertible bonds are valued by Binary Tree. Fair value of forward currency is usually determined by the forward currency exchange rate.

(x) **Financial risk management**

There were no significant changes in the Group's financial risk management and policies as disclosed in note 6(x) of the consolidated financial statements for the year ended December 31, 2021.

(y) **Capital management**

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2021. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2021. Please refer to note 6(y) of the consolidated financial statements for the year ended December 31, 2021 for further details.

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

The Group acquired right-of-use assets by leases in the nine months ended September 30, 2022 and 2021, please refer to note 6(h).

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

Reconciliation of liabilities arising from financing activities was as follows:

	<b>January 1, 2022</b>	<b>Cash flows</b>	<b>Non-cash changes</b>	<b>September 30, 2022</b>
Short-term loans	\$ 410,000	495,000	-	905,000
Short-term notes payable	949,203	(99,718)	-	849,485
Long-term loans (included in current portion)	368,750	(106,250)	-	262,500
Bonds payable (included in current portion)	235,762	(85,400)	(1,162)	149,200
Lease liabilities	248,531	(10,528)	(1,864)	236,139
Total liabilities from financing activities	<u>\$ 2,212,246</u>	<u>193,104</u>	<u>(3,026)</u>	<u>2,402,324</u>

(Continued)

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

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

**(7) Related-parties transactions:**

(a) Names and relationships with related parties

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
Apex Flight Academy	Substantive related party

(b) Significant transactions with related parties

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

	<u>July to September, 2022</u>	<u>July to September, 2021</u>	<u>January to September, 2022</u>	<u>January to September, 2021</u>
Other related parties	\$ <u>129</u>	<u>39</u>	<u>381</u>	<u>146</u>

The sales price to the above related parties was determined through mutual agreement based on the market rates. The credit terms ranged from 15 to 60 days, the collection terms for related parties approximated the market terms. As of September 30, 2022, December 31 and September 30, 2021, the receivables from related parties were \$0, \$26 and 0, respectively, which recorded as trade receivables.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<u>July to September, 2022</u>	<u>July to September, 2021</u>	<u>January to September, 2022</u>	<u>January to September, 2021</u>
Short-term employee benefits	\$ 4,105	3,790	12,339	11,248
Post-employment benefits	<u>170</u>	<u>152</u>	<u>509</u>	<u>456</u>
	<u>\$ 4,275</u>	<u>3,942</u>	<u>12,848</u>	<u>11,704</u>

(Continued)

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

**(8) Assets pledged as security**

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

<u>Assets pledged as security</u>	<u>Liabilities secured by pledge</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Refundable deposits – current	Guarantee deposits and customs bond	\$ 81,333	92,062	79,392
Refundable deposits – non-current (Note)	Guarantee deposits	27,785	26,762	26,572
Land	Short-term loans	255,076	255,076	255,076
Buildings and structures	Short-term loans	200,808	209,648	212,861
		<u>\$ 565,002</u>	<u>583,548</u>	<u>573,901</u>

Note: recorded as other non-current assets.

**(9) Significant Commitments and Contingencies**

(a) Unrecognized contractual commitments

1.As of September 30, 2022, December 31 and September 30, 2021, the maintenance bond and customs bond offered by banks amounted to \$2,004,488, \$1,925,228 and \$1,974,218, respectively.

2.The Group signed contracts with domestic and foreign vendors for building and purchasing property, plant and equipment. As of September 30, 2022 and December 31, 2021, the contracts amounted to \$498,154 and \$323,529, respectively and the unpaid payment was \$433,511 and \$314,886, respectively.

(b) Contingencies:None.

**(10) Losses Due to Major Disasters:None.**

**(11) Subsequent Events:None.**

**(12) Others**

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

By item	By function	For the three months ended September 30,					
		2022			2021		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		143,636	30,975	174,611	139,878	32,091	171,969
Labor and health insurance		14,613	3,709	18,322	14,030	3,521	17,551
Pension		7,723	1,654	9,377	7,584	1,577	9,161
Others		8,476	1,667	10,143	14,035	1,468	15,503
Depreciation(Note)		20,230	1,580	21,810	18,632	1,212	19,844
Amortization		2,763	225	2,988	971	117	1,088

(Continued)

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

By item	By function	For the nine months ended September 30,					
		2022			2021		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		429,506	88,477	517,983	418,286	98,214	516,500
Labor and health insurance		43,517	9,196	52,713	41,847	9,107	50,954
Pension		23,182	4,423	27,605	22,601	4,852	27,453
Others		25,544	4,789	30,333	29,456	4,309	33,765
Depreciation(Note)		60,647	4,585	65,232	56,067	3,500	59,567
Amortization		5,243	474	5,717	2,838	285	3,123

Note : The covid-19-related rent concessions of \$814, \$814, \$2,498 and \$2,441 were recognized as deduction of depreciation expenses for the three months and nine months ended September 30, 2022 and 2021, respectively.

(b) Seasonality of operations

The Group's operations were not affected by seasonality or cyclicity factors.

**(13) Other disclosure items**

(a) Information on significant transactions:

The followings were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the nine months ended September 30, 2022:

- (i) Lending to other parties:None.
- (ii) Guarantees and endorsements for other parties:None.
- (iii) Information regarding securities held at the reporting date (subsidiaries, associates and joint ventures not included):None.
- (iv) Information regarding purchase or sale of securities for the period exceeding 300 million or 20% of the Company’s paid-in capital:None.

(Continued)

## AIR ASIA CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- (v) Information on acquisition of real estate with purchase amount exceeding 300 million or 20% of the Company's paid-in capital:

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

- (vi) Information regarding receivables from disposal of real estate exceeding 300 million or 20% of the Company's paid-in capital:None.
- (vii) Information regarding related-parties purchases and/or sales exceeding 100 million or 20% of the Company's paid-in capital:None.
- (viii) Information regarding receivables from related-parties exceeding 100 million or 20% of the Company's paid-in capital:None.
- (ix) Information regarding trading in derivative financial instruments:Please refer to notes 6(b)(m).
- (x) Significant transactions and business relationship between the parent company and its subsidiaries:None.

- (b) Information on investments:

The followings are the information on investees for the nine months ended September 30, 2022 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Main businesses and products	Original investment amount		Balance as of September 30, 2022			Net income (loss) of investee	Investment income (loss) recognized	Remark
			September 30, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Air Asia Company Ltd. (USA)	Logistic service	6,699	6,699	10	100 %	3,411	(46)	(46)	(Note)

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

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

Shareholder's Name	Shareholding	
	Shares	Percentage
Taiwan Aerospace Corporation	95,842,580	63.57 %
Taiwan Sugar Corporation	18,511,547	12.27 %

(Continued)

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

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

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

**(14) Segment information:**

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