

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

AIR ASIA CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Six Months Ended June 30, 2023 and 2022**

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

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安侯建業聯合會計師事務所

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Independent Auditors' Review Report

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

Introduction

We have reviewed the accompanying consolidated balance sheets of AIR ASIA CO., LTD. and its subsidiaries as of June 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2023 and 2022, and the statements of changes in equity and cash flows for the six months ended June 30, 2023 and 2022, 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 Standard 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 the Standard on Review Engagements 2410, "Review of Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. 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 Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of AIR ASIA CO., LTD. and its subsidiaries as of June 30, 2023 and 2022, and of its consolidated financial performance for the three months and six months ended June 30, 2023 and 2022, and its consolidated cash flows for the six months ended June 30, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 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

Taipei, Taiwan (Republic of China)
August 9, 2023

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated 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 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)

AIR ASIA CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2023, December 31, 2022, and June 30, 2022

(Expressed in Thousands of New Taiwan Dollars)

Assets		June 30, 2023		December 31, 2022		June 30, 2022		Liabilities and Equity		June 30, 2023		December 31, 2022		June 30, 2022	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents(note (6)(a))	\$ 231,697	4	252,947	5	568,641	12	2100	Short-term loans(note (6)(l))	\$ 1,408,185	26	1,125,000	23	680,000	14
1110	Financial assets at fair value through profit or loss – current(note (6)(m))	-	-	15	-	62	-	2110	Short-term notes payable(note (6)(k))	749,642	14	549,704	11	849,810	17
1139	Financial assets for hedging – current(note (6)(b))	6,526	-	2,112	-	4,379	-	2126	Financial liabilities for hedging – current(note (6)(b))	11	-	1,634	-	-	-
1140	Contract assets – current(note (6)(u))	1,116,539	20	913,851	19	900,055	19	2130	Contract liabilities – current(note (6)(u))	52,156	1	8,597	-	24,176	1
1170	Notes and trade receivables, net(notes (6)(c), (u)and (7))	1,684,816	31	1,208,472	25	1,092,590	22	2170	Trade payables	298,674	6	389,356	8	351,807	7
1200	Other receivables(note (6)(d))	2,625	-	5,480	-	1,681	-	2200	Other payables	227,822	4	259,245	6	219,089	5
130X	Inventories(notes (6)(b)and (e))	1,078,819	20	1,191,766	24	959,369	20	2250	Provisions – current(note (6)(n))	14,918	-	17,412	-	25,356	1
1410	Prepayments(note (6)(f))	109,806	2	112,080	2	124,506	3	2280	Lease liabilities – current(note (6)(o))	21,220	-	19,226	-	19,916	-
1478	Refundable deposits – current(note (8))	56,571	1	57,109	1	95,965	2	2320	Current portion of bonds payable and long-term loans(notes (6)(l)and (m))	225,000	4	100,000	2	160,365	3
1479	Other current assets	3,496	-	5,194	-	1,393	-	2399	Other current liabilities	8,972	-	8,892	-	10,746	-
	Total current assets	<u>4,290,895</u>	<u>78</u>	<u>3,749,026</u>	<u>76</u>	<u>3,748,641</u>	<u>78</u>		Total current liabilities	<u>3,006,600</u>	<u>55</u>	<u>2,479,066</u>	<u>50</u>	<u>2,341,265</u>	<u>48</u>
Non-current assets:								Non-Current liabilities:							
1600	Property, plant and equipment(notes (6)(g)and (8))	722,217	13	712,288	15	695,487	14	2530	Bonds payable(note (6)(m))	16,089	-	149,673	3	150,774	3
1755	Right-of-use assets(note (6)(h))	256,834	5	264,922	6	261,785	6	2540	Long-term loans(note (6)(l))	230,250	4	143,750	3	206,250	4
1780	Intangible assets(note (6)(i))	15,224	-	15,957	-	20,118	-	2570	Deferred tax liabilities	515	-	515	-	39	-
1840	Deferred tax assets	62,713	1	65,192	1	66,488	1	2580	Lease liabilities – non-current(note (6)(o))	209,230	4	213,494	5	220,290	5
1955	Incremental costs of obtaining contracts – non-current(note (6)(u))	13,479	-	15,253	-	6,429	-		Total non-current liabilities	<u>456,084</u>	<u>8</u>	<u>507,432</u>	<u>11</u>	<u>577,353</u>	<u>12</u>
1990	Other non-current assets(notes (g), (j)and (8))	144,270	3	88,338	2	34,253	1		Total liabilities	<u>3,462,684</u>	<u>63</u>	<u>2,986,498</u>	<u>61</u>	<u>2,918,618</u>	<u>60</u>
	Total non-current assets	<u>1,214,737</u>	<u>22</u>	<u>1,161,950</u>	<u>24</u>	<u>1,084,560</u>	<u>22</u>	Equity attributable to owners of parent(notes (6)(b), (m), (q), (r)and (s)):							
								Share capital:							
								3110	Common stock	1,703,588	31	1,620,478	33	1,619,285	34
								3140	Advance receipts for share capital	25,873	-	-	-	-	-
								3200	Capital surplus	201,867	4	157,815	3	156,959	3
								Retained earnings:							
								3310	Legal reserve	132,869	2	131,520	3	131,520	3
								3320	Special reserve	-	-	613	-	613	-
								3350	Unappropriated retained earnings (accumulated deficit)	(26,630)	-	13,537	-	2,655	-
										<u>106,239</u>	<u>2</u>	<u>145,670</u>	<u>3</u>	<u>134,788</u>	<u>3</u>
								3400	Other equity	5,381	-	515	-	3,551	-
									Total equity	<u>2,042,948</u>	<u>37</u>	<u>1,924,478</u>	<u>39</u>	<u>1,914,583</u>	<u>40</u>
Total assets		<u>\$ 5,505,632</u>	<u>100</u>	<u>4,910,976</u>	<u>100</u>	<u>4,833,201</u>	<u>100</u>		Total liabilities and equity	<u>\$ 5,505,632</u>	<u>100</u>	<u>4,910,976</u>	<u>100</u>	<u>4,833,201</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

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

AIR ASIA CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the six months ended June 30, 2023 and 2022

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

	For the three months ended June 30,				For the six months ended June 30,				
	2023		2022		2023		2022		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue (notes (6)(u) and (7))	\$ 1,280,393	100	1,017,089	100	2,390,373	100	1,886,872	100
	Operating costs (notes (6)(b), (e), (o), (p), (s), (u), (v), (7) and (12))	1,235,649	96	949,956	93	2,278,611	95	1,782,325	95
5000	Gross profit	44,744	4	67,133	7	111,762	5	104,547	5
	Operating expenses (notes (6)(c), (o), (p), (s), (v), (7) and (12)):								
6000	Selling expenses	19,992	2	13,959	1	35,498	1	27,351	1
6100	Administrative expenses (including covid-19-related rent concessions of \$0, \$813, \$0 and \$1,684)	44,802	3	36,533	4	84,767	4	72,067	4
6200	Expected credit losses (profit)	(900)	-	-	-	446	-	34	-
6450		63,894	5	50,492	5	120,711	5	99,452	5
6900	Operating profit (loss)	(19,150)	(1)	16,641	2	(8,949)	-	5,095	-
7000	Non-operating income and expenses (notes (6)(g), (m), (o) and (w)):								
7100	Interest income	2,020	-	203	-	2,958	-	258	-
7010	Other income	3,402	-	8,188	1	4,767	-	10,488	1
7020	Other gains and losses	(2,497)	-	(1,036)	-	(742)	-	891	-
7050	Interest expenses	(12,413)	(1)	(6,804)	(1)	(23,416)	(1)	(13,448)	(1)
		(9,488)	(1)	551	-	(16,433)	(1)	(1,811)	-
7900	Profit (loss) before tax	(28,638)	(2)	17,192	2	(25,382)	(1)	3,284	-
7950	Less: Income tax expenses (note (6)(q))	601	-	677	-	1,263	-	677	-
	Net profit (loss)	(29,239)	(2)	16,515	2	(26,645)	(1)	2,607	-
	Other comprehensive income (notes (6)(b), (q) and (r)):								
8300	Components of other comprehensive income that will not be reclassified to profit or loss								
8310	Gains on hedging instruments	8,055	-	5,335	-	9,330	-	9,339	1
8311	Less: income tax related to components of other comprehensive income that will not be reclassified to profit or loss	(1,176)	-	(313)	-	(1,207)	-	(997)	-
8349		6,879	-	5,022	-	8,123	-	8,342	1
8360	Components of other comprehensive income that will be reclassified to profit or loss								
8361	Exchange differences on translation of foreign financial statements	73	-	117	-	45	-	221	-
8399	Less: income tax related to components of other comprehensive income that will be reclassified to profit or loss	15	-	23	-	9	-	44	-
		58	-	94	-	36	-	177	-
8300	Other comprehensive income, net	6,937	-	5,116	-	8,159	-	8,519	1
8500	Total comprehensive income	\$ (22,302)	(2)	21,631	2	(18,486)	(1)	11,126	1
	Profit (loss), attributable to:								
8610	Owners of parent	\$ (29,239)	(2)	16,515	2	(26,645)	(1)	2,607	
	Comprehensive income attributable to:								
8710	Owners of parent	\$ (22,302)	(2)	21,631	2	(18,486)	(1)	11,126	1
	Earnings per share (note (6)(t)) (in New Taiwan dollars)								
9750	Basic earnings per share	\$ (0.18)		0.10		(0.16)		0.02	
9850	Diluted earnings per share	\$ (0.18)		0.10		(0.16)		0.02	

See accompanying notes to consolidated financial statements.

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

AIR ASIA CO., LTD. AND SUBSIDIARIES**Consolidated Statements of Changes in Equity****For the six months ended June 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent								Total equity	
	Retained earnings					Other equity				
	Common Stock	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficit)	Exchange differences on translation of foreign financial statements	Gains (losses) on hedging instruments		Total
Balance at January 1, 2022	\$ 1,505,641	-	237,987	123,822	58	77,259	(129)	(484)	(613)	1,944,154
Net profit	-	-	-	-	-	2,607	-	-	-	2,607
Other comprehensive income	-	-	-	-	-	-	177	8,342	8,519	8,519
Total comprehensive income	-	-	-	-	-	2,607	177	8,342	8,519	11,126
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	-	7,698	-	(7,698)	-	-	-	-
Special reserve	-	-	-	-	555	(555)	-	-	-	-
Cash dividends	-	-	-	-	-	(37,641)	-	-	-	(37,641)
Stock dividends	31,317	-	-	-	-	(31,317)	-	-	-	-
Stock dividends distributed from capital surplus	81,606	-	(81,606)	-	-	-	-	-	-	-
Conversion of convertible bonds	721	-	578	-	-	-	-	-	-	1,299
Changes in fair value of hedging instrument reclassified to inventories	-	-	-	-	-	-	-	(4,355)	(4,355)	(4,355)
Balance at June 30, 2022	\$ 1,619,285	-	156,959	131,520	613	2,655	48	3,503	3,551	1,914,583
Balance at January 1, 2023	\$ 1,620,478	-	157,815	131,520	613	13,537	133	382	515	1,924,478
Net loss	-	-	-	-	-	(26,645)	-	-	-	(26,645)
Other comprehensive income	-	-	-	-	-	-	36	8,123	8,159	8,159
Total comprehensive income	-	-	-	-	-	(26,645)	36	8,123	8,159	(18,486)
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	-	1,349	-	(1,349)	-	-	-	-
Special reserve reversed	-	-	-	-	(613)	613	-	-	-	-
Cash dividends	-	-	-	-	-	(12,786)	-	-	-	(12,786)
Cash dividends distributed from capital surplus	-	-	(45,552)	-	-	-	-	-	-	(45,552)
Cash capital increase	-	25,873	-	-	-	-	-	-	-	25,873
Share-based payment	-	-	38,366	-	-	-	-	-	-	38,366
Conversion of convertible bonds	83,110	-	51,238	-	-	-	-	-	-	134,348
Changes in fair value of hedging instrument reclassified to inventories	-	-	-	-	-	-	-	(3,293)	(3,293)	(3,293)
Balance at June 30, 2023	\$ 1,703,588	25,873	201,867	132,869	-	(26,630)	169	5,212	5,381	2,042,948

See accompanying notes to consolidated financial statements.

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AIR ASIA CO., LTD. AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the six months ended June 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	For the six months ended June 30,	
	2023	2022
Cash flows from (used in) operating activities:		
Profit (loss) before tax	\$ (25,382)	3,284
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expenses	46,303	43,422
Amortization expenses	3,335	2,729
Expected credit losses	446	34
Losses (gains) on valuation of financial assets at fair value through profit or loss	(38)	243
Interest expenses	23,416	13,448
Interest income	(2,958)	(258)
Gains on disposal of property, plant and equipment	(294)	(11)
Gains on lease modification	-	(2)
Share-based compensation	38,366	-
Unrealized foreign exchange gains	(227)	(4,377)
Total adjustments to reconcile profit	108,349	55,228
Changes in operating assets and liabilities:		
Changes in operating assets:		
Increase in contract assets – current	(202,688)	(137,322)
Decrease (increase) in notes and trade receivables, net	(476,216)	312,026
Decrease (increase) in other receivables	3,114	(819)
Decrease in inventories	112,947	28,464
Decrease (increase) in prepayments	2,449	(43,651)
Decrease (increase) in other current assets	1,698	(476)
Decrease in incremental costs of obtaining contracts – non-current	1,774	3,225
Total changes in operating assets	(556,922)	161,447
Changes in operating liabilities:		
Increase in contract liabilities – current	43,559	17,217
Increase (decrease) in trade payables	(91,854)	93,515
Decrease in other payables	(46,841)	(66,953)
Increase (decrease) in provisions – current	(2,494)	3,120
Increase in other current liabilities	80	53
Total changes in operating liabilities	(97,550)	46,952
Net changes in operating assets and liabilities	(654,472)	208,399
Total adjustments	(546,123)	263,627
Cash flows from (used in) operations	(571,505)	266,911
Interest received	2,748	455
Interest paid	(22,095)	(10,828)
Income tax refund (paid)	(217)	193
Net cash generated from (used in) operating activities	(591,069)	256,731
Cash flows from (used in) investing activities:		
Decrease (increase) in refundable deposits	519	(3,813)
Acquisition of property, plant and equipment	(30,749)	(43,845)
Proceeds from disposal of property, plant and equipment	294	11
Acquisition of intangible assets	(2,602)	(2,471)
Increase in other non-current assets	(52,695)	(21)
Net cash used in investing activities	(85,233)	(50,139)
Cash flows from (used in) financing activities:		
Increase in short-term loans	283,185	270,000
Increase (decrease) in short-term notes payable	199,938	(99,393)
Proceeds from long-term loans	249,000	250,000
Repayments of long-term loans	(37,500)	(337,500)
Payment of lease liabilities	(7,993)	(6,624)
Cash dividends	(58,338)	(37,641)
Cash capital increase	25,873	-
Net cash generated from financing activities	654,165	38,842
Effects of exchange rate changes on balance of cash held in foreign currencies	887	4,359
Net increase (decrease) in cash and cash equivalents	(21,250)	249,793
Cash and cash equivalents at the beginning of year	252,947	318,848
Cash and cash equivalents at end of year	\$ 231,697	568,641

See accompanying notes to consolidated financial statements.

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

AIR ASIA CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2023 and 2022

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

(1) Company history

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

The 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 Directors on August 9, 2023.

(3) New standards, amendments and interpretations adopted:

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

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

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

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

The Group does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its 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”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”

(Continued)

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

- Amendments to IAS12 “International Tax Reform – Pillar Two Model Rules”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”

(4) Summary of material 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 material accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2022. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2022.

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements:

<u>Name of investor</u>	<u>Name of subsidiary</u>	<u>Principal activity</u>	<u>Shareholding</u>		
			<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
The Company	Air Asia Company Ltd. (USA)	Logistics Services	100 %	100 %	100 %

(ii) 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 measured by multiplying together the pre-tax income for the interim reporting period the management’s best estimate of effective annual tax rate. 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.

(Continued)

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

(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.

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, 2022. For related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2022.

(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 2022 consolidated financial statements. Please refer to Note 6 of the 2022 annual consolidated financial statements.

(a) Cash and cash equivalents

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Cash and cash on hand	\$ 826	824	3,185
Demand deposits	168,591	190,703	565,456
Time deposits	<u>62,280</u>	<u>61,420</u>	<u>-</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 231,697</u>	<u>252,947</u>	<u>568,641</u>

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

(b) Financial instruments used for hedging

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

Cash flow hedge:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Financial assets for hedging – current:			
Forward exchange contracts	\$ <u>6,526</u>	<u>2,112</u>	<u>4,379</u>
Financial liabilities for hedging – current:			
Forward exchange contracts	\$ <u>11</u>	<u>1,634</u>	<u>-</u>

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

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:

June 30, 2023				
	Contract Amount (in thousands)	Currency	Maturity dates	Average strike price
Forward exchange purchased	USD \$ <u>8,098</u>	TWD to USD	2023.7.10~2024.5.3	29.138~30.92
Forward exchange purchased	GBP \$ <u>600</u>	TWD to GBP	2023.12.22	36.68~36.84
December 31, 2022				
	Contract Amount (in thousands)	Currency	Maturity dates	Average strike price
Forward exchange purchased	USD \$ <u>7,056</u>	TWD to USD	2023.1.10~2023.12.11	28.422~31.96
June 30, 2022				
	Contract Amount (in thousands)	Currency	Maturity dates	Average strike price
Forward exchange purchased	USD \$ <u>4,430</u>	TWD to USD	2022.7.11~2023.5.10	27.605~29.6

2. The details arising from cash flow hedges for the three months and six months ended June 30, 2023 and 2022, were as follows:

Account Item	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Recognized in other comprehensive income during the period	\$ <u>6,879</u>	<u>5,022</u>	<u>8,123</u>	<u>8,342</u>
Reclassification from equity to decrease in inventories for the period	\$ <u>2,173</u>	<u>3,770</u>	<u>3,293</u>	<u>4,355</u>

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

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

(c) **Notes and trade receivables**

	June 30, 2023	December 31, 2022	June 30, 2022
Notes receivable	\$ -	250	-
Trade receivables(including from related parties)	1,685,651	1,209,349	1,094,318
Less:Loss allowance	(835)	(1,127)	(1,728)
Total	\$ 1,684,816	1,208,472	1,092,590

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:

	June 30, 2023		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
<u>Group 1</u>			
Current	\$ <u>1,607,971</u>	0.00%	<u>-</u>
<u>Group 2</u>			
Current	\$ 76,564	0.81%	620
1 to 90 days past due	816	15.01%	122
91 to 180 days past due	300	31.11%	93
181 to 270 days past due	-	-	-
271 to 365 days past due	-	-	-
	<u>\$ 77,680</u>		<u>835</u>
		December 31, 2022	
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
<u>Group 1</u>			
Current	\$ <u>1,164,460</u>	0.00%	<u>-</u>

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AIR ASIA CO., LTD. AND SUBSIDIARIES
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	December 31, 2022		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
<u>Group 2</u>			
Current	\$ 43,915	0.00%~0.81%	355
1 to 90 days past due	486	7.09%	34
91 to 180 days past due	-	-	-
181 to 270 days past due	-	-	-
271 to 365 days past due	-	-	-
More than 365 days past due	<u>738</u>	100.00%	<u>738</u>
	<u>\$ 45,139</u>		<u>1,127</u>
	June 30, 2022		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
<u>Group 1</u>			
Current	<u>\$ 1,052,108</u>	0.00%	<u>-</u>
<u>Group 2</u>			
Current	\$ 40,518	1.67%	677
1 to 90 days past due	749	14.49%	108
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>943</u>	100.00%	<u>943</u>
	<u>\$ 42,210</u>		<u>1,728</u>

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

	For the six months ended June 30,	
	2023	2022
Balance at January 1	1,127	16,042
Impairment losses recognized	446	34
Amounts written off	<u>(738)</u>	<u>(14,348)</u>
Balance at June 30	<u>\$ 835</u>	<u>1,728</u>

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

(Continued)

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

(d) **Other receivables**

	June 30, 2023	December 31, 2022	June 30, 2022
Other receivables—income taxes refund	\$ 238	196	72
Others	2,387	5,284	1,609
Less: Loss allowance	-	-	-
	<u>\$ 2,625</u>	<u>5,480</u>	<u>1,681</u>

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

(e) **Inventories**

	June 30, 2023	December 31, 2022	June 30, 2022
Repair materials and others	\$ 749,442	817,744	689,965
Finished goods	329,377	374,022	269,404
	<u>\$ 1,078,819</u>	<u>1,191,766</u>	<u>959,369</u>

The details of the cost of sales were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Inventory that has been sold and service costs	\$ 1,197,395	912,188	2,203,917	1,688,257
Unallocated production overheads	34,435	29,390	64,620	75,243
Write-down of inventories	3,817	8,403	10,064	18,849
Revenue from sale of scraps	-	(24)	-	(24)
Losses (gains) on physical inventory	2	(1)	10	-
	<u>\$ 1,235,649</u>	<u>949,956</u>	<u>2,278,611</u>	<u>1,782,325</u>

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

(f) **Prepayments**

The details of prepayments were as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Prepayment for materials	\$ 87,021	93,809	97,214
Prepayment of bank performance guarantee fees	3,647	12,004	4,773
Prepayment—other	19,138	6,267	22,519
	<u>\$ 109,806</u>	<u>112,080</u>	<u>124,506</u>

(Continued)

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

(g) Property, plant and equipment

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

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Transportation equipment</u>	<u>Construction in process and testing equipment</u>	<u>Total</u>
Cost or deemed cost:							
Balance at January 1, 2023	\$ 275,211	690,176	677,716	72,430	94,634	41,147	1,851,314
Additions	-	2,968	17,177	5,401	-	5,203	30,749
Disposals	-	(270)	(3,623)	(1,127)	-	-	(5,020)
Reclassification	-	1,337	10,335	-	-	-	11,672 (Note)
Balance at June 30, 2023	<u>\$ 275,211</u>	<u>694,211</u>	<u>701,605</u>	<u>76,704</u>	<u>94,634</u>	<u>46,350</u>	<u>1,888,715</u>
Balance at January 1, 2022	\$ 264,076	678,946	675,726	57,904	93,233	9,898	1,779,783
Additions	-	1,027	11,364	10,559	1,400	19,363	43,713
Disposals	-	-	(1,904)	(655)	-	-	(2,559)
Balance at June 30, 2022	<u>\$ 264,076</u>	<u>679,973</u>	<u>685,186</u>	<u>67,808</u>	<u>94,633</u>	<u>29,261</u>	<u>1,820,937</u>
Accumulated depreciation and impairment loss:							
Balance at January 1, 2023	\$ -	444,395	580,366	48,801	65,464	-	1,139,026
Depreciation	-	9,252	16,989	3,738	2,513	-	32,492
Disposals	-	(270)	(3,623)	(1,127)	-	-	(5,020)
Balance at June 30, 2023	<u>\$ -</u>	<u>453,377</u>	<u>593,732</u>	<u>51,412</u>	<u>67,977</u>	<u>-</u>	<u>1,166,498</u>
Balance at January 1, 2022	\$ -	425,220	564,395	46,064	59,550	-	1,095,229
Depreciation	-	9,722	16,946	3,179	2,933	-	32,780
Disposals	-	-	(1,904)	(655)	-	-	(2,559)
Balance at June 30, 2022	<u>\$ -</u>	<u>434,942</u>	<u>579,437</u>	<u>48,588</u>	<u>62,483</u>	<u>-</u>	<u>1,125,450</u>
Carrying value:							
Balance at January 1, 2023	<u>\$ 275,211</u>	<u>245,781</u>	<u>97,350</u>	<u>23,629</u>	<u>29,170</u>	<u>41,147</u>	<u>712,288</u>
Balance at June 30, 2023	<u>\$ 275,211</u>	<u>240,834</u>	<u>107,873</u>	<u>25,292</u>	<u>26,657</u>	<u>46,350</u>	<u>722,217</u>
Balance at January 1, 2022	<u>\$ 264,076</u>	<u>253,726</u>	<u>111,331</u>	<u>11,840</u>	<u>33,683</u>	<u>9,898</u>	<u>684,554</u>
Balance at June 30, 2022	<u>\$ 264,076</u>	<u>245,031</u>	<u>105,749</u>	<u>19,220</u>	<u>32,150</u>	<u>29,261</u>	<u>695,487</u>

Note: The amount of \$11,672 transferred from other non-current assets – prepayment for equipment.

The capitalized borrowing costs related to the construction of the administration building amounted to \$219 and \$410, respectively for the three months and sixmonths ended June 30, 2023, calculated using a capitalization rate of 1.91% and 1.86%, respectively.

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

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AIR ASIA CO., LTD. AND SUBSIDIARIES
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(h) **Right-of-use assets**

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

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost:					
Balance at January 1, 2023	\$ 281,689	46,602	-	8,204	336,495
Additions	132	1,054	-	4,537	5,723
Reduction	-	-	-	(4,085)	(4,085)
Balance at June 30, 2023	<u>\$ 281,821</u>	<u>47,656</u>	<u>-</u>	<u>8,656</u>	<u>338,133</u>
Balance at January 1, 2022	\$ 281,495	33,723	603	8,188	324,009
Additions	217	-	-	-	217
Reduction	(232)	(653)	(603)	-	(1,488)
Balance at June 30, 2022	<u>\$ 281,480</u>	<u>33,070</u>	<u>-</u>	<u>8,188</u>	<u>322,738</u>
Accumulated depreciation and impairment loss:					
Balance at January 1, 2023	\$ 59,260	6,621	-	5,692	71,573
Depreciation	7,482	4,933	-	1,396	13,811
Reduction	-	-	-	(4,085)	(4,085)
Balance at June 30, 2023	<u>\$ 66,742</u>	<u>11,554</u>	<u>-</u>	<u>3,003</u>	<u>81,299</u>
Balance at January 1, 2022	\$ 44,447	1,010	569	3,857	49,883
Depreciation	7,406	3,522	34	1,364	12,326
Reduction	-	(653)	(603)	-	(1,256)
Balance at June 30, 2022	<u>\$ 51,853</u>	<u>3,879</u>	<u>-</u>	<u>5,221</u>	<u>60,953</u>
Carrying value:					
Balance at January 1, 2023	<u>\$ 222,429</u>	<u>39,981</u>	<u>-</u>	<u>2,512</u>	<u>264,922</u>
Balance at June 30, 2023	<u>\$ 215,079</u>	<u>36,102</u>	<u>-</u>	<u>5,653</u>	<u>256,834</u>
Balance at January 1, 2022	<u>\$ 237,048</u>	<u>32,713</u>	<u>34</u>	<u>4,331</u>	<u>274,126</u>
Balance at January 1, 2022	<u>\$ 229,627</u>	<u>29,191</u>	<u>-</u>	<u>2,967</u>	<u>261,785</u>

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

(i) **Intangible assets**

The details of intangible assets were as follows:

Carrying value:	<u>Acquired special technology</u>	<u>Software</u>	<u>Total</u>
Balance at January 1, 2023	\$ <u>950</u>	<u>15,007</u>	<u>15,957</u>
Balance at June 30, 2023	\$ <u>955</u>	<u>14,269</u>	<u>15,224</u>
Balance at January 1, 2022	\$ <u>3,647</u>	<u>16,729</u>	<u>20,376</u>
Balance at June 30, 2022	\$ <u>4,333</u>	<u>15,785</u>	<u>20,118</u>

There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the six months ended June 30, 2023 and 2022. 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, 2022.

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

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

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Prepayment for equipment	\$ 98,491	43,159	5,531
Refundable deposits— non-current	26,566	26,547	26,672
Other non-current assets— other	<u>19,213</u>	<u>18,632</u>	<u>2,050</u>
	<u>\$ 144,270</u>	<u>88,338</u>	<u>34,253</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**

The short-term notes payable were summarized as follows :

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Commercial paper payable	<u>\$ 749,642</u>	<u>549,704</u>	<u>849,810</u>

For the six months ended June 30, 2023 and 2022, the Group had the additional short-term notes payable amounting to \$898,409 and \$50,014, respectively, with an interest rate of 1.868%~1.988% and 1.19%, respectively, maturing in April to August, 2023 and July, 2022, respectively. For the six months ended June 30, 2023 and 2022, the repayment amounted to \$698,471 and \$149,407, respectively.

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AIR ASIA CO., LTD. AND SUBSIDIARIES
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(l) **Short-term and long-term loans**

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

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Unsecured bank loans – NTD	\$ 1,208,185	925,000	680,000
Secured bank loans – NTD	200,000	200,000	-
Long-term unsecured bank loans – NTD	<u>455,250</u>	<u>243,750</u>	<u>281,250</u>
Total	<u>\$ 1,863,435</u>	<u>1,368,750</u>	<u>961,250</u>
Current	\$ 1,633,185	1,225,000	755,000
Non-current	<u>230,250</u>	<u>143,750</u>	<u>206,250</u>
Total	<u>\$ 1,863,435</u>	<u>1,368,750</u>	<u>961,250</u>
Unused short-term loans credit lines	<u>\$ 201,815</u>	<u>435,000</u>	<u>470,000</u>
Unused long-term loans credit lines	<u>\$ 141,000</u>	<u>300,000</u>	<u>400,000</u>
Range of short-term loans interest rates	<u>1.572%~2.098%</u>	<u>1.427%~1.954%</u>	<u>0.9095%~1.4358%</u>
Range of long-term loans interest rates	<u>1.822%~2.05%</u>	<u>1.701%~1.751%</u>	<u>1.45%~1.50%</u>
Long-term loans due year	<u>2023~2026</u>	<u>2024~2026</u>	<u>2024~2026</u>

For the six months ended June 30, 2023 and 2022, the Group had the additional long-term loans amounting to \$249,000 and \$250,000, with an interest rate of 1.8198%~2.05% and 1.5%, respectively, maturing in November, 2023 to January, 2026 and June, 2026, respectively.

For the six months ended June 30, 2023 and 2022, the repayment amounted to \$37,500 and \$337,500, respectively.

Assets pledged are disclosed in note 8.

(m) **Bonds payable**

The details of unsecured convertible bonds were as follows: :

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Total convertible corporate bonds issued	\$ 300,000	500,000	500,000
Cumulative converted amount	(283,700)	(262,000)	(259,900)
Repayment of corporate bonds	-	(85,400)	-
Unamortized discounted corporate bonds payable	<u>(211)</u>	<u>(2,927)</u>	<u>(3,961)</u>
Corporate bonds issued balance at year-end	<u>\$ 16,089</u>	<u>149,673</u>	<u>236,139</u>
Current	\$ -	-	85,365
Non-current	<u>16,089</u>	<u>149,673</u>	<u>150,774</u>
Total	<u>\$ 16,089</u>	<u>149,673</u>	<u>236,139</u>

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AIR ASIA CO., LTD. AND SUBSIDIARIES
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	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Embedded derivative – put and redeem options, included in financial assets at fair value through profit or loss	\$ <u>-</u>	<u>15</u>	<u>62</u>
Equity component – conversion options, included in capital surplus– conversion of convertible bonds	\$ <u>838</u>	<u>7,849</u>	<u>10,915</u>
	<u>For the three months ended June 30, 2023</u>	<u>2022</u>	<u>For the six months ended June 30, 2023</u>
	<u>2023</u>	<u>2022</u>	<u>2022</u>
Embedded derivative – put and redeem options, included in gains (losses) on financial assets at fair value through profit or loss	\$ <u>38</u>	<u>(247)</u>	<u>38</u>
Interest expense (effective interest rate of 1.28% and 1.28%~1.69%, respectively)	\$ <u>342</u>	<u>839</u>	<u>1,676</u>

Except for the following disclosures, there were no significant issues, repurchases and repayments of bonds payable for the three months ended June 30, 2023 and 2022. Please refer to Note 6(m) of the 2022 annual consolidated financial statements for other related information.

For the six months ended June 30, 2023 and 2022, the relevant information about the convertible bonds issued by the Group were converted into common stock, please refer to note 6(r).

(n) Provisions

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Warranties	\$ <u>14,918</u>	<u>17,412</u>	<u>25,356</u>

There were no significant changes in provisions for the six months ended June 30, 2023 and 2022. Please refer to Note 6(n) of the 2022 annual consolidated financial statements for other related information.

(o) Lease liabilities

The carrying value of lease liabilities was as follows:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Current	\$ 21,220	19,226	19,916
Non-current	<u>209,230</u>	<u>213,494</u>	<u>220,290</u>
	\$ <u>230,450</u>	<u>232,720</u>	<u>240,206</u>

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

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AIR ASIA CO., LTD. AND SUBSIDIARIES
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The amounts recognized in profit or loss were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Interest on lease liabilities	\$ <u>583</u>	<u>599</u>	<u>1,162</u>	<u>1,186</u>
Expenses relating to short-term leases	\$ <u>684</u>	<u>661</u>	<u>1,219</u>	<u>1,843</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>-</u>	<u>36</u>	<u>-</u>	<u>69</u>
Covid-19-related rent concessions	\$ <u>-</u>	<u>813</u>	<u>-</u>	<u>1,684</u>

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

	For the six months ended June 30,	
	2023	2022
Total cash outflow for leases	\$ <u>10,374</u>	<u>9,722</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 three years.

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

(p) **Employee benefits**

Defined contribution plans

The Group's expenses under the pension plan cost to the Bureau of Labor Insurance for the three months and six months ended June 30, 2023 and 2022 were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Operating cost	\$ 7,897	7,628	15,808	15,459
Selling expenses	549	506	1,094	992
Administration expenses	<u>1,074</u>	<u>1,052</u>	<u>2,148</u>	<u>1,777</u>
Total	\$ <u>9,520</u>	<u>9,186</u>	<u>19,050</u>	<u>18,228</u>

(Continued)

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

(q) **Income taxes**

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Current tax expense	\$ -	-	-	-
Deferred tax expense				
Origination and reversal of temporary differences	<u>601</u>	<u>677</u>	<u>1,263</u>	<u>677</u>
Income tax expense	<u>\$ 601</u>	<u>677</u>	<u>1,263</u>	<u>677</u>

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Items that will not be reclassified subsequently to profit or loss:				
Gains on hedging instruments	<u>\$ 1,176</u>	<u>313</u>	<u>1,207</u>	<u>997</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign financial statement	<u>\$ 15</u>	<u>23</u>	<u>9</u>	<u>44</u>

2. The Group's income tax return for the year 2021 had been examined by the tax authorities.

(r) **Capital and other equity**

As of June 30, 2023, December 31 and June 30, 2022, all of the authorized common stock of the Company was \$2,100,000, comprising 210,000, thousand shares, with a par value of \$10 per share. The issued shares were 170,359, 162,048 and 161,929 thousand shares. All the capitals were fully received.

Except for the following disclosure, there was no significant change in capital and other equity for the periods from January 1 to June 30, 2023 and 2022. For the related information, please refer to note 6(r) of the consolidated financial statements for the year ended December 31, 2022.

1. Common stock

On March 22, 2023, the board of directors meeting resolved to issue 38,000 thousand new shares for cash, with a per value of \$10 per share, amounting to \$380,000. The Company has received approval from the Financial Supervisory Commission for this capital increase. On May 10, 2023, the board of directors meeting resolved the basis date of the increase capital to be August 1, 2023. As of June 30, 2023, a partial capital increase payment of \$25,873 has been received and recorded under the advance receipts for share capital.

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AIR ASIA CO., LTD. AND SUBSIDIARIES
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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 vasis date of the increase capital to be September 5, 2022.

For the six months ended June 30, 2023 and 2022, the convertible bonds issued by the Company amounting to \$83,110 and \$721, respectively, were converted into 8,311 and 72 thousand shares of common stock, respectively. As of June 30, 2023 and 2022, for the 8,311 and 61 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:

	June 30, 2023	December 31, 2022	June 30, 2022
Additional paid-in capital	\$ 59,624	46,927	45,963
Gain on disposal of assets	100,063	100,063	100,063
Conversion of convertible bonds	838	7,849	10,915
Expired conversion of convertible bonds	2,958	2,958	-
Employee stock option	38,366	-	-
Other – disgorgement	18	18	18
	<u>\$ 201,867</u>	<u>157,815</u>	<u>156,959</u>

The board of directors meeting resolved on February 22, 2023 to distribute cash dividends by its capital surplus in the amount of \$45,552 (NT\$ 0.281 per share).

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

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.

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

The amount of cash dividends and appropriations of earnings for 2022 had been approved in the board meeting held on February 22, 2023. The amount of cash dividends and appropriations of earnings for 2021 had been approved in the board meeting held on February 23, 2022. The amount of shares dividends and appropriations of earnings for 2021 had been resolved through the shareholders' meeting on June 15, 2022. These earnings were appropriated as follows:

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

4. Other equity (net of tax)

	<u>Exchange differences on translation of foreign financial statements</u>	<u>Gains (losses) on hedging instruments</u>	<u>Total</u>
Balance at January 1, 2023	\$ 133	382	515
Exchange differences on foreign operations	36	-	36
Changes in fair value of hedging instrument	-	8,123	8,123
Changes in fair value of hedging instrument reclassified to inventories	-	<u>(3,293)</u>	<u>(3,293)</u>
Balance at June 30, 2023	<u>\$ 169</u>	<u>5,212</u>	<u>5,381</u>

(Continued)

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

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

(s) **Share-based payment**

As of June 30, 2023, the Group had the following share-based payment arrangements:

	Equity – settled
	Cash-settled share-based payment plan reserved for employees to subscribe
Grant date	June 8, 2023
Number of shares granted	1,612,000 shares
Recipients	Employees of the Company
Vesting conditions	Immediately vested

There were no such transaction for the six months ended June 30, 2022.

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

	For the six months ended June 30, 2023
	Cash-settled share-based payment plan reserved for employees to subscribe
Fair value at grant date (in dollars)	23.8
Share price at grant date (in dollars)	58.8
Exercise price (in dollars)	35
Expected volatility (%)	42.13
Expected life (years)	0.09
Risk-free interest rate (%)	0.6275

(Continued)

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

Details of cash-settled share-based payment plan reserved for employees to subscribe are as follows:

	<u>For the six months ended June 30, 2023</u>	
	<u>Weighted-average exercise price (in dollars)</u>	<u>Number of options (shares)</u>
Outstanding at January 1	\$ -	-
Granted during the year	35	<u>1,612,000</u>
Outstanding at June 30	35	<u><u>1,612,000</u></u>
Exercisable at June 30	35	<u><u>1,612,000</u></u>

The Group's compensation expenses stemming from the cash-settled share-based payment plan reserved for employees to subscribe for the three months and six months ended June 30, 2023, amounting to \$38,366, and recorded as operating costs and expenses as well as in the capital surplus – employee stock options.

(t) **Earnings per share**

For the three months and six months ended June 30, 2023 and 2022, the Company's earnings per share were calculated as follows:

	Unit of share: thousand			
	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Basic earnings per share:				
Profit (loss) attributable to common shareholders of the Company	\$ <u>(29,239)</u>	<u>16,515</u>	<u>(26,645)</u>	<u>2,607</u>
Weighted-average number of shares	<u>165,441</u>	<u>161,878</u>	<u>163,754</u>	<u>161,868</u>
	<u>\$ (0.18)</u>	<u>0.10</u>	<u>(0.16)</u>	<u>0.02</u>
Diluted earnings per share:				
Profit (loss) attributable to common shareholders of the Company	\$ (29,239)	16,515	(26,645)	2,607
Effect of dilutive ordinary shares:				
Convertible bonds	-	1,037	-	-
Profit (loss) attributable to common shareholders of the Company (diluted)	<u>\$ (29,239)</u>	<u>17,552</u>	<u>(26,645)</u>	<u>2,607</u>
Weighted-average number of shares	165,441	161,878	163,754	161,868
Effect of dilutive ordinary shares:				
Remuneration to employees		4		29
Convertible bonds	-	13,389	-	-
Weighted-average number of shares (diluted)	<u>\$ 165,441</u>	<u>175,271</u>	<u>163,754</u>	<u>161,897</u>
	<u>\$ (0.18)</u>	<u>0.10</u>	<u>(0.16)</u>	<u>0.02</u>

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AIR ASIA CO., LTD. AND SUBSIDIARIES
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For the three months and six months ended June 30, 2023 and for the six months ended June 30, 2022, there is an anti-diluted effect on convertible bonds. For the three months and six months ended June 30, 2023, there is an anti-diluted effect on remuneration to employees.

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

1. Disaggregation of revenue

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<u>Primary geographical markets:</u>				
Taiwan	1,146,631	849,450	2,143,368	1,656,369
Asia	125,544	117,775	211,707	153,108
Other	8,218	49,864	35,298	77,395
	<u>\$ 1,280,393</u>	<u>1,017,089</u>	<u>2,390,373</u>	<u>1,886,872</u>
<u>Major services and timing of revenue recognition:</u>				
At a point in time				
Repair supply pricing	66,336	52,863	80,745	64,964
Outsourced repair and air material transaction	255,095	230,807	526,014	454,047
Subtotal	321,431	283,670	606,759	519,011
Over time				
Aircraft maintenance	311,270	319,411	558,149	518,319
Fleet maintenance	116,658	114,815	254,080	245,206
Components maintenance	531,034	299,193	971,385	604,336
Subtotal	958,962	733,419	1,783,614	1,367,861
Total	<u>\$ 1,280,393</u>	<u>1,017,089</u>	<u>2,390,373</u>	<u>1,886,872</u>

2. Contract balances

	<u>June 30,</u>	<u>December 31,</u>	<u>June 30,</u>
	<u>2023</u>	<u>2022</u>	<u>2022</u>
Notes, trade and overdue receivables	\$ 1,685,651	1,209,599	1,094,318
Less: Loss allowance	(835)	(1,127)	(1,728)
Total	<u>\$ 1,684,816</u>	<u>1,208,472</u>	<u>1,092,590</u>
Contract assets – Maintenance service	<u>\$ 1,116,539</u>	<u>913,851</u>	<u>900,055</u>
Contract liabilities – Maintenance service	<u>\$ 52,156</u>	<u>8,597</u>	<u>24,176</u>

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

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AIR ASIA CO., LTD. AND SUBSIDIARIES
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The amount of revenue recognized for the six months ended June 30, 2023 and 2022 that were included in the contract liability balance at the beginning of the period were \$7,630 and \$6,410, 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

	June 30, 2023	December 31, 2022	June 30, 2022
Incremental costs of obtaining contracts— non-current	\$ 19,047	45,594	59,940
Less: accumulated amortization	<u>(5,568)</u>	<u>(30,341)</u>	<u>(53,511)</u>
Total	<u>\$ 13,479</u>	<u>15,253</u>	<u>6,429</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 \$888, \$1,612, \$1,775 and \$3,225 were recognized for the three months and six months ended June 30, 2023 and 2022.

(v) **Remunerations to employees**

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

The remunerations to employees amounted to \$67 for the three months and six months ended June 30, 2022. These amounts was calculated using the Company's net income before tax without the remunerations to employees for period, multiplied by the proposed percentage which is stated under the Company's proposed Article of Incorporation. Remuneration to employees was not accrued because of the Company's net loss before tax for the three months and six months ended June 30, 2023. 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, 2022 and 2021, the remunerations to employees amounted to \$341 and \$1,591, 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.

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AIR ASIA CO., LTD. AND SUBSIDIARIES
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(w) Non-operating income and expenses

1. Other income

The details of other income were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Rent income	\$ 107	347	455	695
Other income—others	3,295	7,841	4,312	9,793
	\$ 3,402	8,188	\$ 4,767	10,488

2. Other gains and losses

The details of other gains and losses were as follows :

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Gains on disposals of property, plant and equipment	\$ 7	11	294	11
Foreign exchange gains, net	1,442	2,040	6,867	6,633
Gains (losses) on valuation of financial assets at fair value through profit or loss	38	(247)	38	(243)
Handing fees	(3,984)	(2,835)	(7,941)	(5,505)
Others	-	(5)	-	(5)
	\$ (2,497)	(1,036)	(742)	891

(x) 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, 2022.

1. Credit risk

(i) Credit risk exposure

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

(ii) Concentration of credit risk

As of June 30, 2023, December 31 and June 30, 2022, a few customers of the Group accounted for 89%, 85% 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.

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AIR ASIA CO., LTD. AND SUBSIDIARIES
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(iii) Credit risk exposure of receivables and other financial assets at amortized cost

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

Other financial assets at amortized cost include other receivables and refundable deposit. There was no loss allowance recognized or reversed for the six months ended June 30, 2023 and 2022. All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected credit losses.

2. Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
June 30, 2023						
Non-derivative financial liabilities						
With floating interest rates	\$ 1,863,435	1,882,217	1,647,991	134,135	100,091	-
With fixed interest rates	765,731	766,712	750,000	16,712	-	-
Non-interest-bearing liabilities	526,496	526,496	526,496	-	-	-
Lease liabilities	230,450	247,011	23,452	18,583	50,376	154,600
Derivative financial liabilities						
Forward exchange contracts:						
Outflow	11	6,526	6,526	-	-	-
Inflow	-	(6,515)	(6,515)	-	-	-
	<u>\$ 3,386,123</u>	<u>3,422,447</u>	<u>2,947,950</u>	<u>169,430</u>	<u>150,467</u>	<u>154,600</u>
December 31, 2022						
Non-derivative financial liabilities						
With floating interest rates	\$ 1,368,750	1,380,665	1,233,826	70,690	76,149	-
With fixed interest rates	699,377	706,453	550,000	156,453	-	-
Non-interest-bearing liabilities	648,601	648,601	648,601	-	-	-
Lease liabilities	232,720	250,271	21,454	16,999	49,081	162,737
Derivative financial liabilities						
Forward exchange contracts:						
Outflow	1,634	114,327	114,327	-	-	-
Inflow	-	(112,693)	(112,693)	-	-	-
	<u>\$ 2,951,082</u>	<u>2,987,624</u>	<u>2,455,515</u>	<u>244,142</u>	<u>125,230</u>	<u>162,737</u>

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AIR ASIA CO., LTD. AND SUBSIDIARIES
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June 30, 2022	<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>
Non-derivative financial liabilities						
With floating interest rates	\$ 961,250	971,173	760,859	108,627	101,687	-
With fixed interest rates	1,085,949	1,094,648	936,042	-	158,606	-
Non-interest-bearing liabilities	570,896	570,896	570,896	-	-	-
Lease liabilities	<u>240,206</u>	<u>258,895</u>	<u>22,206</u>	<u>16,961</u>	<u>48,854</u>	<u>170,874</u>
	<u>\$ 2,858,301</u>	<u>2,895,612</u>	<u>2,290,003</u>	<u>125,588</u>	<u>309,147</u>	<u>170,874</u>

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>June 30, 2023</u>			<u>December 31, 2022</u>			<u>June 30, 2022</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	\$ 6,856	31.14	213,488	7,199	30.71	221,080	7,335	29.72	217,998
<u>Non-monetary items</u>									
USD	7,886	31.14	245,570	3,345	30.71	102,725	4,430	29.72	131,660
GBP	600	39.38	23,628	-	-	-	-	-	-
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	4,535	31.14	141,215	9,930	30.71	304,938	7,763	29.72	230,725
<u>Non-monetary items</u>									
USD	212	31.14	6,602	3,711	30.71	113,965	-	-	-

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

As of June 30, 2023 and 2022, when the exchange rate of the NTD versus the USD and GBP increases or decreases by 1%, given no changes in other factors, profit (loss) after tax will increase or decrease by \$578 and \$102, respectively, and the equity will increase or decrease by \$52 and \$35 due to cash flow hedges, respectively. This analysis was performed on a consistent basis for both periods.

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AIR ASIA CO., LTD. AND SUBSIDIARIES
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Exchange gains or losses (including realized and unrealized) that resulted from monetary items translated to the functional currency were as follows:

	<u>January to June, 2023</u>		<u>January to June, 2022</u>	
	<u>Exchange gain (loss)</u>	<u>Average rate</u>	<u>Exchange gain (loss)</u>	<u>Average rate</u>
NTD	\$ <u>6,867</u>	-	<u>6,633</u>	-

(ii) Interest rate analysis

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

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

If the interest rate had increased or decreased by 1%, the Group's net profit (loss) would have decreased or increased by \$7,454 and \$3,845 for the six months ended June 30, 2023 and 2022, 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:

	<u>June 30, 2023</u>				
	<u>Carrying amount</u>	<u>Fair Value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Financial assets for hedging	\$ <u>6,526</u>	-	6,526	-	6,526
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 231,697	-	-	-	-
Notes and trade receivables	1,684,816	-	-	-	-
Other receivables	2,387	-	-	-	-
Refundable deposits – current	56,571	-	-	-	-
Refundable deposits – non-current (recorded as other non-current assets)	<u>26,566</u>	-	-	-	-
	<u>\$2,002,037</u>				

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AIR ASIA CO., LTD. AND SUBSIDIARIES
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	June 30, 2022				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Financial assets designated at fair value through profit or loss	\$ <u>62</u>	-	62	-	62
Financial assets for hedging	\$ <u>4,379</u>	-	4,379	-	4,379
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 568,641	-	-	-	-
Notes and trade receivables	1,092,590	-	-	-	-
Other receivables	1,609	-	-	-	-
Refundable deposits – current	95,965	-	-	-	-
Refundable deposits – non-current (recorded as other non-current assets)	<u>26,672</u>	-	-	-	-
	<u>\$1,785,477</u>				
Financial liabilities measured at amortized cost					
Short-term loans	\$ 680,000	-	-	-	-
Short-term notes payable	849,810	-	-	-	-
Payables	570,896	-	-	-	-
Bonds payable (included in current portion)	236,139	-	238,403	-	238,403
Long-term loans (included in current portion)	281,250	-	-	-	-
Lease liabilities	<u>240,206</u>	-	-	-	-
	<u>\$2,858,301</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 three months and six months ended June 30, 2023 and 2022.

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AIR ASIA CO., LTD. AND SUBSIDIARIES
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(ii) Valuation techniques for financial instruments not measured at fair value

Financial liabilities measured at amortized cost

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

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

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

Derivative financial instruments

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

(y) **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, 2022.

(z) **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, 2022. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2022. Please refer to note 6(y) of the consolidated financial statements for the year ended December 31, 2022 for further details.

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

The Group acquired right-of-use assets by leases in the six months ended June 30, 2023 and 2022, please refer to note 6(h).

The convertible bonds issued by the Group were converted into common stock in the six months ended June 30, 2023 and 2022, please refer to note 6(r).

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AIR ASIA CO., LTD. AND SUBSIDIARIES
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Reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2023	Cash flows	Non-cash changes	June 30, 2023
Short-term loans	\$ 1,125,000	283,185	-	1,408,185
Short-term notes payable	549,704	199,938	-	749,642
Long-term loans (included in current portion)	243,750	211,500	-	455,250
Bonds payable	149,673	-	(133,584)	16,089
Lease liabilities	<u>232,720</u>	<u>(7,993)</u>	<u>5,723</u>	<u>230,450</u>
Total liabilities from financing activities	<u>\$ 2,300,847</u>	<u>686,630</u>	<u>(127,861)</u>	<u>2,859,616</u>
	January 1, 2022	Cash flows	Non-cash changes	June 30, 2022
Short-term loans	\$ 410,000	270,000	-	680,000
Short-term notes payable	949,203	(99,393)	-	849,810
Long-term loans (included in current portion)	368,750	(87,500)	-	281,250
Bonds payable (included in current portion)	235,762	-	377	236,139
Lease liabilities	<u>248,531</u>	<u>(6,624)</u>	<u>(1,701)</u>	<u>240,206</u>
Total liabilities from financing activities	<u>\$ 2,212,246</u>	<u>76,483</u>	<u>(1,324)</u>	<u>2,287,405</u>

(7) Related-party transactions

(a) Names and relationship 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>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Other related parties	<u>\$ 516</u>	<u>61</u>	<u>1,167</u>	<u>252</u>

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AIR ASIA CO., LTD. AND SUBSIDIARIES
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The sales price to the above related parties was determined through mutual agreement based on the market rates. The credit terms ranged from 15 to 60 days, the collection terms for related parties approximated the market terms. As of June 30, 2023, December 31 and June 30, 2022, the receivables from related parties were \$42, \$19 and \$0, respectively, which recorded as trade receivables.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Short-term employee benefits	\$ 4,360	4,132	8,576	8,234
Post-employment benefits	175	170	1,061	339
	\$ 4,535	4,302	9,637	8,573

(8) Pledged assets:

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

Pledged assets	Object	June 30, 2023	December 31, 2022	June 30, 2022
Refundable deposits – current	Guarantee deposits and customs bond	\$ 56,571	57,109	95,965
Refundable deposits – non-current (Note1)	Guarantee deposits	26,566	26,547	26,672
Land	Short-term loans	255,076	255,076	255,076
Buildings and structures	Short-term loans	191,768	197,874	203,998
		\$ 529,981	536,606	581,711

Note 1: recorded as other non-current assets.

(9) Significant commitments and contingencies:

(a) Unrecognized contractual commitments

- As of June 30, 2023, December 31 and June 30, 2022, the maintenance bond and customs bond offered by banks amounted to \$3,387,239, \$2,133,476 and \$1,984,488, respectively.
- The Group signed contracts with domestic and foreign vendors for building and purchasing property, plant and equipment. As of June 30, 2023, December 31 and June 30, 2022, the contracts amounted to \$525,901, \$492,434 and \$323,529, respectively, and the unpaid payment was \$433,509, \$420,368 and \$297,397, respectively.

(b) Contingencies:None.

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AIR ASIA CO., LTD. AND SUBSIDIARIES
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(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	For the three months ended June 30					
		2023			2022		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		175,148	43,237	218,385	144,340	30,385	174,725
Labor and health insurance		15,376	2,869	18,245	14,353	2,687	17,040
Pension		7,897	1,623	9,520	7,628	1,558	9,186
Others		10,458	2,139	12,597	8,305	1,681	9,986
Depreciation		20,822	2,534	23,356	20,261	1,566	21,827
Amortization		1,866	165	2,031	1,241	178	1,419

By item	By function	For the six months ended June 30					
		2023			2022		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		321,607	74,676	396,283	285,870	57,502	343,372
Labor and health insurance		30,783	5,871	36,654	28,904	5,487	34,391
Pension		15,808	3,242	19,050	15,459	2,769	18,228
Others		20,253	3,741	23,994	17,068	3,122	20,190
Depreciation (Note)		41,361	4,942	46,303	40,417	3,005	43,422
Amortization		2,953	382	3,335	2,480	249	2,729

Note : The covid-19-related rent concessions of \$0, \$813, \$0 and \$1,684 were recognized as deduction of depreciation expenses for the three months and six months ended June 30, 2023 and 2022, respectively.

- (b) Seasonality of operations

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

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AIR ASIA CO., LTD. AND SUBSIDIARIES
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(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 Group for the six months ended June 30, 2023:

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

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

- (vi) Information regarding receivables from disposal of real estate exceeding 300 million or 20% of the Company’s paid-in capital:None
- (vii) Information regarding related-parties purchases and/or sales exceeding 100 million or 20% of the Company’s paid-in capital:None
- (viii) Information regarding receivables from related-parties exceeding 100 million or 20% of the Company’s paid-in capital:None
- (ix) Information regarding trading in derivative financial instruments:None6(b)(m)
- (x) Significant transactions and business relationship between the parent company and its subsidiaries:None

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

(b) Information on investees:

The followings are the information on investees for the six months ended June 30, 2023 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Main businesses and products	Original investment amount		Balance as of June 30, 2023			Net income (losses) of investee	Investment income (loss) recognized	Note
			June 30, 2023	December 31, 2022	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Air Asia Company Ltd. (USA)	Logistic service	6,699	6,699	10	100.00 %	3,256	(50)	(50)	(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		103,029,023	60.47 %
Taiwan Sugar Corporation		19,898,469	11.68 %

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.