

(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, 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.

## 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 Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements 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 material accounting policies	9~10
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	10
(6) Explanation of significant accounts	10~36
(7) Related-party transactions	36~37
(8) Pledged assets	37
(9) Significant commitments and contingencies	37
(10) Losses Due to Major Disasters	38
(11) Subsequent Events	38
(12) Other	38
(13) Other disclosures	
(a) Information on significant transactions	39
(b) Information on investees	40
(c) Information on investment in mainland China	40
(d) Major shareholders	40
(14) Segment information	40



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3

## 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, 2023 and 2022, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2023 and 2022, and the statements of changes in equity and cash flows for the nine months ended September 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 September 30, 2023 and 2022, and of its consolidated financial performance for the three months and nine months ended September 30, 2023 and 2022, and its consolidated cash flows for the nine months ended September 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)  
November 8, 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

September 30, 2023, December 31, 2022, and September 30, 2022

(Expressed in Thousands of New Taiwan Dollars)

Assets		September 30, 2023		December 31, 2022		September 30, 2022		Liabilities and Equity		September 30, 2023		December 31, 2022		September 30, 2022	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
<b>Current assets:</b>								<b>Current liabilities:</b>							
1100	Cash and cash equivalents(note (6)(a))	\$ 205,100	3	252,947	5	305,664	6	2100	Short-term loans(note (6)(l))	\$ 848,185	15	1,125,000	23	905,000	18
1110	Financial assets at fair value through profit or loss—current(note (6)(m))	-	-	15	-	15	-	2110	Short-term notes payable(note (6)(k))	349,591	6	549,704	11	849,485	17
1139	Financial assets for hedging—current(note (6)(b))	10,460	-	2,112	-	8,846	1	2126	Financial liabilities for hedging—current(note (6)(b))	402	-	1,634	-	11	-
1140	Contract assets—current(note (6)(u))	1,184,021	21	913,851	19	904,489	18	2130	Contract liabilities—current(note (6)(u))	49,737	1	8,597	-	11,890	-
1170	Notes and trade receivables, net(notes (6)(c), (u)and (7))	1,773,984	31	1,208,472	25	1,419,717	28	2170	Trade payables	370,868	6	389,356	8	409,963	8
1200	Other receivables(note (6)(d))	2,692	-	5,480	-	2,438	-	2200	Other payables	212,760	4	259,245	6	230,481	5
130X	Inventories(notes (6)(b)and (e))	1,133,455	20	1,191,766	24	1,069,356	21	2250	Provisions—current(note (6)(n))	17,617	-	17,412	-	26,219	1
1410	Prepayments(note (6)(f))	114,463	2	112,080	2	86,357	2	2280	Lease liabilities—current(note (6)(o))	21,302	-	19,226	-	19,367	-
1478	Refundable deposits—current(note (8))	67,917	1	57,109	1	81,333	2	2320	Current portion of long-term loans(note (6)(l))	87,500	2	100,000	2	87,500	2
1479	Other current assets	13,656	-	5,194	-	2,061	-	2399	Other current liabilities	16,436	-	8,892	-	11,400	-
	<b>Total current assets</b>	<u>4,505,748</u>	<u>78</u>	<u>3,749,026</u>	<u>76</u>	<u>3,880,276</u>	<u>78</u>		<b>Total current liabilities</b>	<u>1,974,398</u>	<u>34</u>	<u>2,479,066</u>	<u>50</u>	<u>2,551,316</u>	<u>51</u>
<b>Non-current assets:</b>								<b>Non-Current liabilities:</b>							
1600	Property, plant and equipment(notes (6)(g)and (8))	728,683	13	712,288	15	710,500	14	2530	Bonds payable(note (6)(m))	-	-	149,673	3	149,200	3
1755	Right-of-use assets(note (6)(h))	250,914	5	264,922	6	256,289	5	2540	Long-term loans(note (6)(l))	149,500	3	143,750	3	175,000	4
1780	Intangible assets(note (6)(i))	14,238	-	15,957	-	19,646	-	2570	Deferred tax liabilities	515	-	515	-	39	-
1840	Deferred tax assets	56,012	1	65,192	1	63,904	1	2580	Lease liabilities—non-current(note (6)(o))	205,729	4	213,494	5	216,772	4
1955	Incremental costs of obtaining contracts—non-current(note (6)(u))	14,316	-	15,253	-	4,817	-		<b>Total non-current liabilities</b>	<u>355,744</u>	<u>7</u>	<u>507,432</u>	<u>11</u>	<u>541,011</u>	<u>11</u>
1990	Other non-current assets(notes (g), (j)and (8))	174,247	3	88,338	2	83,436	2		<b>Total liabilities</b>	<u>2,330,142</u>	<u>41</u>	<u>2,986,498</u>	<u>61</u>	<u>3,092,327</u>	<u>62</u>
	<b>Total non-current assets</b>	<u>1,238,410</u>	<u>22</u>	<u>1,161,950</u>	<u>24</u>	<u>1,138,592</u>	<u>22</u>	<b>Equity attributable to owners of parent(notes (6)(b), (m), (q), (r)and (s)):</b>							
								3110	Common stock	2,094,382	36	1,620,478	33	1,620,478	32
								3200	Capital surplus	1,153,005	20	157,815	3	157,815	3
									Retained earnings:						
								3310	Legal reserve	132,869	2	131,520	3	131,520	3
								3320	Special reserve	-	-	613	-	613	-
								3350	Unappropriated retained earnings	25,450	1	13,537	-	8,824	-
										<u>158,319</u>	<u>3</u>	<u>145,670</u>	<u>3</u>	<u>140,957</u>	<u>3</u>
								3400	Other equity	8,310	-	515	-	7,291	-
									<b>Total equity</b>	<u>3,414,016</u>	<u>59</u>	<u>1,924,478</u>	<u>39</u>	<u>1,926,541</u>	<u>38</u>
<b>Total assets</b>		<u>\$ 5,744,158</u>	<u>100</u>	<u>4,910,976</u>	<u>100</u>	<u>5,018,868</u>	<u>100</u>		<b>Total liabilities and equity</b>	<u>\$ 5,744,158</u>	<u>100</u>	<u>4,910,976</u>	<u>100</u>	<u>5,018,868</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 nine months ended September 30, 2023 and 2022

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

	For the three months ended September 30,				For the nine months ended September 30,				
	2023		2022		2023		2022		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	<b>Operating revenue</b> (notes (6)(u)and (7))								
	\$ 1,184,417	100	1,134,200	100	3,574,790	100	3,021,072	100	
	<b>Operating costs</b> (notes (6)(b), (e), (o), (p), (s), (u), (v), (7)and (12))								
5000	<u>1,067,608</u>	<u>90</u>	<u>1,067,449</u>	<u>94</u>	<u>3,346,219</u>	<u>94</u>	<u>2,849,774</u>	<u>94</u>	
5900	<b>Gross profit</b>								
	<u>116,809</u>	<u>10</u>	<u>66,751</u>	<u>6</u>	<u>228,571</u>	<u>6</u>	<u>171,298</u>	<u>6</u>	
	<b>Operating expenses</b> (notes (6)(c), (o), (p), (s), (v), (7)and (12)):								
6100	Selling expenses	15,028	1	14,669	1	50,526	1	42,020	1
	Administrative expenses (including covid-19-related								
6200	rent concessions of \$0, \$814, \$0 and \$2,498)	40,060	4	38,767	4	124,827	3	110,834	4
6300	Research and development expenses	741	-	-	-	741	-	-	-
6450	Expected credit losses (profit)	<u>634</u>	<u>-</u>	<u>(144)</u>	<u>-</u>	<u>1,080</u>	<u>-</u>	<u>(110)</u>	<u>-</u>
		<u>56,463</u>	<u>5</u>	<u>53,292</u>	<u>5</u>	<u>177,174</u>	<u>4</u>	<u>152,744</u>	<u>5</u>
6900	<b>Operating profit</b>								
	<u>60,346</u>	<u>5</u>	<u>13,459</u>	<u>1</u>	<u>51,397</u>	<u>2</u>	<u>18,554</u>	<u>1</u>	
7000	<b>Non-operating income and expenses</b> (notes (6)(g), (m), (o)and (w)):								
7100	Interest income	1,109	-	64	-	4,067	-	322	-
7010	Other income	3,535	1	2,245	-	8,302	-	12,733	-
7020	Other gains and losses	2,976	-	(845)	-	2,234	-	46	-
7050	Interest expenses	<u>(9,918)</u>	<u>(1)</u>	<u>(7,104)</u>	<u>-</u>	<u>(33,334)</u>	<u>(1)</u>	<u>(20,552)</u>	<u>(1)</u>
		<u>(2,298)</u>	<u>-</u>	<u>(5,640)</u>	<u>-</u>	<u>(18,731)</u>	<u>(1)</u>	<u>(7,451)</u>	<u>(1)</u>
7900	<b>Profit before tax</b>								
	58,048	5	7,819	1	32,666	1	11,103	-	
7950	<b>Less: Income tax expenses</b> (note (6)(q))								
	<u>5,968</u>	<u>1</u>	<u>1,650</u>	<u>-</u>	<u>7,231</u>	<u>-</u>	<u>2,327</u>	<u>-</u>	
	<b>Net profit</b>								
	<u>52,080</u>	<u>4</u>	<u>6,169</u>	<u>1</u>	<u>25,435</u>	<u>1</u>	<u>8,776</u>	<u>-</u>	
	<b>Other comprehensive income</b> (notes (6)(b), (q)and (r)):								
8300	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>								
8310	<b>will not be reclassified to profit or loss</b>								
8311	Gains on hedging instruments	8,948	1	8,319	1	18,278	-	17,658	1
	Less:income tax related to components of other comprehensive income that will not be reclassified to profit or loss								
8349		<u>709</u>	<u>-</u>	<u>891</u>	<u>-</u>	<u>1,916</u>	<u>-</u>	<u>1,888</u>	<u>-</u>
		<u>8,239</u>	<u>1</u>	<u>7,428</u>	<u>1</u>	<u>16,362</u>	<u>-</u>	<u>15,770</u>	<u>1</u>
8360	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>								
	<b>will be reclassified to profit or loss</b>								
	Exchange differences on translation of foreign financial statements	119	-	219	-	164	-	440	-
	Less: income tax related to components of other comprehensive income that will be reclassified to profit or loss								
8399		<u>24</u>	<u>-</u>	<u>44</u>	<u>-</u>	<u>33</u>	<u>-</u>	<u>88</u>	<u>-</u>
		<u>95</u>	<u>-</u>	<u>175</u>	<u>-</u>	<u>131</u>	<u>-</u>	<u>352</u>	<u>-</u>
8300	<b>Other comprehensive income, net</b>								
	<u>8,334</u>	<u>1</u>	<u>7,603</u>	<u>1</u>	<u>16,493</u>	<u>-</u>	<u>16,122</u>	<u>1</u>	
8500	<b>Total comprehensive income</b>								
	<u>\$ 60,414</u>	<u>5</u>	<u>13,772</u>	<u>2</u>	<u>41,928</u>	<u>1</u>	<u>24,898</u>	<u>1</u>	
	<b>Profit, attributable to:</b>								
8610	Owners of parent	<u>\$ 52,080</u>	<u>4</u>	<u>6,169</u>	<u>1</u>	<u>25,435</u>	<u>1</u>	<u>8,776</u>	<u>-</u>
	<b>Comprehensive income attributable to:</b>								
8710	Owners of parent	<u>\$ 60,414</u>	<u>5</u>	<u>13,772</u>	<u>2</u>	<u>41,928</u>	<u>1</u>	<u>24,898</u>	<u>1</u>
	<b>Earnings per share</b> (note (6)(t)) (in New Taiwan dollars)								
9750	Basic earnings per share	<u>\$ 0.27</u>		<u>0.04</u>		<u>0.15</u>		<u>0.05</u>	
9850	Diluted earnings per share	<u>\$ 0.26</u>		<u>0.04</u>		<u>0.15</u>		<u>0.05</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 Changes in Equity****For the nine months ended September 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent							Total	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		
<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>
<b>Balance at January 1, 2023</b>	\$ 1,620,478	157,815	131,520	613	13,537	133	382	515	1,924,478
Net loss	-	-	-	-	25,435	-	-	-	25,435
Other comprehensive income	-	-	-	-	-	131	16,362	16,493	16,493
Total comprehensive income	-	-	-	-	25,435	131	16,362	16,493	41,928
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	1,349	-	(1,349)	-	-	-	-
Special reserve reversed	-	-	-	(613)	613	-	-	-	-
Cash dividends	-	-	-	-	(12,786)	-	-	-	(12,786)
Cash dividends distributed from capital surplus	-	(45,552)	-	-	-	-	-	-	(45,552)
Cash capital increase	380,000	945,811	-	-	-	-	-	-	1,325,811
Share-based payment	-	38,366	-	-	-	-	-	-	38,366
Conversion of convertible bonds	93,904	56,565	-	-	-	-	-	-	150,469
Changes in fair value of hedging instrument reclassified to inventories	-	-	-	-	-	-	(8,698)	(8,698)	(8,698)
<b>Balance at September 30, 2023</b>	<b>\$ 2,094,382</b>	<b>1,153,005</b>	<b>132,869</b>	<b>-</b>	<b>25,450</b>	<b>264</b>	<b>8,046</b>	<b>8,310</b>	<b>3,414,016</b>

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 Cash Flows****For the nine months ended September 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	<b>For the nine months ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 32,666	11,103
<b>Adjustments:</b>		
Adjustments to reconcile profit:		
Depreciation expenses	69,724	65,232
Amortization expenses	4,943	5,717
Expected credit losses (gains)	1,080	(110)
Losses (gains) on valuation of financial assets at fair value through profit or loss	(45)	290
Interest expenses	33,334	20,552
Interest income	(4,067)	(322)
Gains on disposal of property, plant and equipment	(309)	(11)
Property, plant and equipment transferred to operating costs	-	2
Gains on lease modification	-	(2)
Share-based compensation	38,366	-
Unrealized foreign exchange gains	(1,736)	(180)
Total adjustments to reconcile profit	141,290	91,168
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Increase in contract assets – current	(270,170)	(141,756)
Increase in notes and trade receivables, net	(564,867)	(12,432)
Decrease (increase) in other receivables	3,298	(1,553)
Decrease (increase) in inventories	58,311	(81,523)
Increase in prepayments	(2,383)	(5,502)
Increase in other current assets	(8,462)	(1,144)
Decrease in incremental costs of obtaining contracts – non-current	937	4,837
Total changes in operating assets	(783,336)	(239,073)
<b>Changes in operating liabilities:</b>		
Increase in contract liabilities – current	41,140	4,931
Increase (decrease) in trade payables	(20,131)	148,614
Decrease in other payables	(43,927)	(76,388)
Increase in provisions – current	205	3,983
Increase in other current liabilities	7,544	707
Total changes in operating liabilities	(15,169)	81,847
Net changes in operating assets and liabilities	(798,505)	(157,226)
Total adjustments	(657,215)	(66,058)
Cash used in operations	(624,549)	(54,955)
Interest received	3,884	538
Interest paid	(32,635)	(18,135)
Income tax refund (paid)	(321)	186
<b>Net cash used in operating activities</b>	(653,621)	(72,366)
<b>Cash flows from (used in) investing activities:</b>		
Decrease (increase) in refundable deposits	(40,955)	9,706
Acquisition of property, plant and equipment	(51,017)	(49,296)
Proceeds from disposal of property, plant and equipment	309	11
Acquisition of intangible assets	(3,224)	(4,987)
Increase in other non-current assets	(72,538)	(52,611)
<b>Net cash used in investing activities</b>	(167,425)	(97,177)
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in short-term loans	(276,815)	495,000
Decrease in short-term notes payable	(200,113)	(99,718)
Repayments of bonds	-	(85,400)
Proceeds from long-term loans	262,000	250,000
Repayments of long-term loans	(268,750)	(356,250)
Payment of lease liabilities	(12,450)	(10,528)
Cash dividends	(58,338)	(37,641)
Cash capital increase	1,325,811	-
<b>Net cash generated from financing activities</b>	771,345	155,463
<b>Effects of exchange rate changes on balance of cash held in foreign currencies</b>	1,854	896
<b>Net decrease in cash and cash equivalents</b>	(47,847)	(13,184)
<b>Cash and cash equivalents at the beginning of year</b>	252,947	318,848
<b>Cash and cash equivalents at end of year</b>	\$ <b>205,100</b>	<b>305,664</b>

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**

**September 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 November 8, 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, 2022:

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

The Group has initially adopted the following new amendment, which do not have a significant impact on its consolidated statement, from May 23, 2023:

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

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

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

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

(Continued)

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

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

(c) 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”
- IAS 21 “Lack of Exchangeability”

**(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 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, 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:

Name of investor	Name of subsidiary	Principal activity	Shareholding		
			September 30, 2023	December 31, 2022	September 30, 2022
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.

(Continued)

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

(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.

**(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>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Cash and cash on hand	\$ 1,004	824	816
Demand deposits	139,556	190,703	304,848
Time deposits	<u>64,540</u>	<u>61,420</u>	<u>-</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 205,100</u>	<u>252,947</u>	<u>305,664</u>

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

(Continued)

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

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

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

**Cash flow hedge:**

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Financial assets for hedging – current:			
Forward exchange contracts	\$ <u>10,460</u>	<u>2,112</u>	<u>8,846</u>
Financial liabilities for hedging – current:			
Forward exchange contracts	\$ <u>402</u>	<u>1,634</u>	<u>11</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, 2023</u>				
	<u>Contract Amount (in thousands)</u>	<u>Currency</u>	<u>Maturity dates</u>	<u>Average strike price</u>
Forward exchange purchased	USD \$ <u>6,782</u>	TWD to USD	2023.10.25~2024.5.3	29.138~31.881
Forward exchange purchased	USD \$ <u>952</u>	TWD to GBP	2023.12.22~2024.3.25	36.68~39.559
<u>December 31, 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>7,056</u>	TWD to USD	2023.1.10~2023.12.11	28.422~31.96
<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	28.257~31.698

(Continued)

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

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

<u>Account Item</u>	<u>For the three months ended</u> <u>September 30,</u>		<u>For the nine months ended</u> <u>September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Recognized in other comprehensive income during the period	\$ <u>8,239</u>	<u>7,428</u>	<u>16,362</u>	<u>15,770</u>
Reclassification from equity to decrease in inventories for the period	\$ <u>5,405</u>	<u>3,863</u>	<u>8,698</u>	<u>8,218</u>

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

(c) **Notes and trade receivables**

	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>September 30,</u> <u>2022</u>
Notes receivable	\$ -	250	-
Trade receivables(including from related parties)	1,775,453	1,209,349	1,421,301
Less:Loss allowance	<u>(1,469)</u>	<u>(1,127)</u>	<u>(1,584)</u>
Total	<u>\$ 1,773,984</u>	<u>1,208,472</u>	<u>1,419,717</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:

	<u>September 30, 2023</u>		
	<u>Gross carrying</u> <u>amount</u>	<u>Weighted-average</u> <u>loss rate</u>	<u>Loss allowance</u> <u>provision</u>
<u>Group 1</u>			
Current	\$ <u>1,687,128</u>	0.00%	<u>-</u>
<u>Group 2</u>			
Current	\$ 57,160	0.19%	109
1 to 90 days past due	30,330	3.55%	1,077
91 to 180 days past due	535	26.97%	144
181 to 270 days past due	300	46.36%	139
271 to 365 days past due	-	-	-
More than 365 days past due	-	-	-
	<u>\$ 88,325</u>		<u>1,469</u>

(Continued)

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

	<b>December 31, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
<b>Group 1</b>			
Current	\$ <u><b>1,164,460</b></u>	0.00%	<u>-</u>
<b>Group 2</b>			
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>\$ <b>45,139</b></u>		<u><b>1,127</b></u>
<b>September 30, 2022</b>			
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
<b>Group 1</b>			
Current	\$ <u><b>1,332,815</b></u>	0.00%	<u>-</u>
<b>Group 2</b>			
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	<u>738</u>	100.00%	<u>738</u>
	<u>\$ <b>88,486</b></u>		<u><b>1,584</b></u>

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

	<b>For the nine months ended</b>	
	<b>September 30,</b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 1,127	16,042
Impairment losses recognized	1,080	(110)
Amounts written off	<u>(738)</u>	<u>(14,348)</u>
Balance at September 30	<u>\$ <b>1,469</b></u>	<u><b>1,584</b></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**

	September 30, 2023	December 31, 2022	September 30, 2022
Other receivables—income taxes refund	\$ 517	196	79
Others	2,175	5,284	2,359
Less: Loss allowance	-	-	-
	<u>\$ 2,692</u>	<u>5,480</u>	<u>2,438</u>

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

(e) **Inventories**

	September 30, 2023	December 31, 2022	September 30, 2022
Repair materials and others	\$ 733,898	817,744	770,583
Finished goods	399,557	374,022	298,773
	<u>\$ 1,133,455</u>	<u>1,191,766</u>	<u>1,069,356</u>

The details of the cost of sales were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Inventory that has been sold and service costs	\$ 1,033,496	1,027,721	3,237,413	2,715,978
Unallocated production overheads	32,055	40,412	96,675	115,655
Write-down of inventories (reversal of write-down)	2,094	(494)	12,158	18,355
Revenue from sale of scraps	-	(192)	-	(216)
Losses (gains) on physical inventory	(37)	2	(27)	2
	<u>\$ 1,067,608</u>	<u>1,067,449</u>	<u>3,346,219</u>	<u>2,849,774</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:

	September 30, 2023	December 31, 2022	September 30, 2022
Prepayment for materials	\$ 98,326	93,809	66,305
Prepayment of bank performance guarantee fees	1,919	12,004	7,856
Prepayment — other	14,218	6,267	12,196
	<u>\$ 114,463</u>	<u>112,080</u>	<u>86,357</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>
<b>Cost or deemed cost:</b>							
Balance at January 1, 2023	\$ 275,211	690,176	677,716	72,430	94,634	41,147	1,851,314
Additions	-	3,298	22,936	7,542	-	17,241	51,017
Disposals	-	(750)	(7,767)	(2,273)	-	-	(10,790)
Reclassification	-	1,337	12,996	-	-	-	14,333 (Note1)
Balance at September 30, 2023	<u>\$ 275,211</u>	<u>694,061</u>	<u>705,881</u>	<u>77,699</u>	<u>94,634</u>	<u>58,388</u>	<u>1,905,874</u>
Balance at January 1, 2022	\$ 264,076	678,946	675,726	57,904	93,233	9,898	1,779,783
Additions	-	1,027	11,401	13,621	770	43,866	70,685
Disposals	-	-	(1,904)	(1,048)	-	-	(2,952)
Reclassification	-	-	3,890	-	630	(2)	4,518 (Note2)
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>
<b>Accumulated depreciation and impairment loss:</b>							
Balance at January 1, 2023	\$ -	444,395	580,366	48,801	65,464	-	1,139,026
Depreciation	-	13,898	25,672	5,736	3,649	-	48,955
Disposals	-	(750)	(7,767)	(2,273)	-	-	(10,790)
Balance at September 30, 2023	<u>\$ -</u>	<u>457,543</u>	<u>598,271</u>	<u>52,264</u>	<u>69,113</u>	<u>-</u>	<u>1,177,191</u>
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>
<b>Carrying value:</b>							
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 September 30, 2023	<u>\$ 275,211</u>	<u>236,518</u>	<u>107,610</u>	<u>25,435</u>	<u>25,521</u>	<u>58,388</u>	<u>728,683</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 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>

Note 1: The amount of \$14,333 transferred from other non-current assets— prepayment for equipment.

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

(Continued)

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

The capitalized borrowing costs related to the construction of the administration building amounted to \$0 and \$410, respectively, for the three months and nine months ended September 30, 2023, calculated using a capitalization rate of 0% and 1.86%, respectively.

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, 2023	\$ 281,689	46,602	-	8,204	336,495
Additions	132	1,054	-	5,575	6,761
Reduction	-	-	-	(4,591)	(4,591)
Balance at September 30, 2023	<u>\$ 281,821</u>	<u>47,656</u>	<u>-</u>	<u>9,188</u>	<u>338,665</u>
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>
<b>Accumulated depreciation and impairment loss:</b>					
Balance at January 1, 2023	\$ 59,260	6,621	-	5,692	71,573
Depreciation	11,222	7,400	-	2,147	20,769
Reduction	-	-	-	(4,591)	(4,591)
Balance at September 30, 2023	<u>\$ 70,482</u>	<u>14,021</u>	<u>-</u>	<u>3,248</u>	<u>87,751</u>
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>
<b>Carrying value:</b>					
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 September 30, 2023	<u>\$ 211,339</u>	<u>33,635</u>	<u>-</u>	<u>5,940</u>	<u>250,914</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>\$ 225,924</u>	<u>28,081</u>	<u>-</u>	<u>2,284</u>	<u>256,289</u>

(Continued)

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

(i) **Intangible assets**

The details of intangible assets were as follows:

	Acquired special technology	Software	Total
<b>Carrying value:</b>			
Balance at January 1, 2023	\$ <u>950</u>	<u>15,007</u>	<u>15,957</u>
Balance at September 30, 2023	\$ <u>503</u>	<u>13,735</u>	<u>14,238</u>
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>

There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the nine months ended September 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:

	September 30, 2023	December 31, 2022	September 30, 2022
Prepayment for equipment	\$ 98,917	43,159	39,017
Refundable deposits – non-current	56,694	26,547	27,785
Other non-current assets – other	<u>18,636</u>	<u>18,632</u>	<u>16,634</u>
	<u>\$ 174,247</u>	<u>88,338</u>	<u>83,436</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 :

	September 30, 2023	December 31, 2022	September 30, 2022
Commercial paper payable	\$ <u>349,591</u>	<u>549,704</u>	<u>849,485</u>

For the nine months ended September 30, 2023 and 2022, the Group had the additional short-term notes payable amounting to \$1,248,336 and \$149,887, respectively, with an interest rate of 1.868%~1.988% and 1.305%~1.5%, respectively, maturing in April to November, 2023 and August to October, 2022, respectively. For the nine months ended September 30, 2023 and 2022, the repayment amounted to \$1,448,449 and \$249,605, respectively.

(Continued)

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

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

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Unsecured bank loans – NTD	\$ 848,185	925,000	905,000
Secured bank loans – NTD	-	200,000	-
Long-term unsecured bank loans – NTD	<u>237,000</u>	<u>243,750</u>	<u>262,500</u>
Total	<u>\$ 1,085,185</u>	<u>1,368,750</u>	<u>1,167,500</u>
Current	\$ 935,685	1,225,000	992,500
Non-current	<u>149,500</u>	<u>143,750</u>	<u>175,000</u>
Total	<u>\$ 1,085,185</u>	<u>1,368,750</u>	<u>1,167,500</u>
Unused short-term loans credit lines	<u>\$ 561,815</u>	<u>435,000</u>	<u>405,000</u>
Unused long-term loans credit lines	<u>\$ 328,000</u>	<u>300,000</u>	<u>300,000</u>
Range of short-term loans interest rates	<u>1.5724%~2.0987%</u>	<u>1.427%~1.954%</u>	<u>0.910%~1.521%</u>
Range of long-term loans interest rates	<u>1.953%~2.003%</u>	<u>1.701%~1.751%</u>	<u>1.45%~1.50%</u>
Long-term loans due year	<u>2024~2026</u>	<u>2024~2026</u>	<u>2024~2026</u>

For the nine months ended September 30, 2023 and 2022, the Group had the additional long-term loans amounting to \$262,000 and \$250,000, respectively, with an interest rate of 1.8198%~2.05% and 1.5%, respectively, maturing in August, 2023 to July, 2026 and June, 2026, respectively.

For the nine months ended September 30, 2023 and 2022, the repayment amounted to \$268,750 and \$356,250, respectively.

Assets pledged are disclosed in note 8.

(m) **Bonds payable**

The details of unsecured convertible bonds were as follows :

	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>September 30,</u> <u>2022</u>
Total convertible corporate bonds issued	\$ 300,000	500,000	500,000
Cumulative converted amount	(300,000)	(262,000)	(262,000)
Repayment of corporate bonds	-	(85,400)	(85,400)
Unamortized discounted corporate bonds payable	<u>-</u>	<u>(2,927)</u>	<u>(3,400)</u>
Corporate bonds issued balance at year-end	<u>\$ -</u>	<u>149,673</u>	<u>149,200</u>

(Continued)

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Current	\$ -	-	-
Non-current	-	149,673	149,200
Total	<u>\$ -</u>	<u>149,673</u>	<u>149,200</u>
Embedded derivative – put and redeem options, included in financial assets at fair value through profit or loss	<u>\$ -</u>	<u>15</u>	<u>15</u>
Equity component – conversion options, included in capital surplus– conversion of convertible bonds	<u>\$ -</u>	<u>7,849</u>	<u>7,849</u>
	<u>For the three months ended September 30,</u>	<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>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>\$ 7</u>	<u>(47)</u>	<u>45</u>
Interest expense (effective interest rate of 1.28% and 1.28%~1.69%, respectively)	<u>\$ 39</u>	<u>510</u>	<u>856</u>
	<u>2,186</u>		

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

For the nine months ended September 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).

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.

**(n) Provisions**

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Warranties	<u>\$ 17,617</u>	<u>17,412</u>	<u>26,219</u>

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

(Continued)

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

(o) **Lease liabilities**

The carrying value of lease liabilities was as follows:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Current	\$ 21,302	19,226	19,367
Non-current	205,729	213,494	216,772
	<u>\$ 227,031</u>	<u>232,720</u>	<u>236,139</u>

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

The amounts recognized in profit or loss were as follows:

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Interest on lease liabilities	\$ <u>579</u>	<u>590</u>	<u>1,741</u>	<u>1,776</u>
Expenses relating to short-term leases	\$ <u>763</u>	<u>534</u>	<u>1,982</u>	<u>2,377</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>-</u>	<u>43</u>	<u>-</u>	<u>112</u>
Covid-19-related rent concessions	\$ <u>-</u>	<u>814</u>	<u>-</u>	<u>2,498</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>2023</u>	<u>2022</u>
Total cash outflow for leases	\$ <u>16,173</u>	<u>14,793</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 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.

(Continued)

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

(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, 2023 and 2022 were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Operating cost	\$ 7,892	7,722	23,700	23,181
Selling expenses	535	512	1,629	1,504
Administration expenses	1,118	1,143	3,266	2,920
Research and development expenses	11	-	11	-
Total	<u>\$ 9,556</u>	<u>9,377</u>	<u>28,606</u>	<u>27,605</u>

(q) **Income taxes**

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Current tax expense	\$ -	-	-	-
Current period	5,968	1,650	7,231	2,327
Income tax expense	<u>\$ 5,968</u>	<u>1,650</u>	<u>7,231</u>	<u>2,327</u>

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Items that will not be reclassified subsequently to profit or loss:				
Gains on hedging instruments	<u>\$ 709</u>	<u>891</u>	<u>1,916</u>	<u>1,888</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign financial statement	<u>\$ 24</u>	<u>44</u>	<u>33</u>	<u>88</u>

2. The Group's income tax return for the year 2021 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, 2023, December 31 and September 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 209,438, 162,048 and 162,048 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, 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 and the registration procedures have been completed.

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

For the nine months ended September 30, 2023 and 2022, the convertible bonds issued by the Company amounting to \$93,904 and \$1,914, respectively, were converted into 9,390 and 191 thousand shares of common stock, respectively. As of September 30, 2023 and 2022, for the 1,079 and 119 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, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Additional paid-in capital	\$ 1,041,789	46,927	46,927
Gain on disposal of assets	100,063	100,063	100,063
Conversion of convertible bonds	-	7,849	7,849
Expired conversion of convertible bonds	2,958	2,958	2,958
Expired employee stock option	8,177	-	-
Other — disorgement	18	18	18
	<b><u>\$ 1,153,005</u></b>	<b><u>157,815</u></b>	<b><u>157,815</u></b>

(Continued)

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

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.

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

	Unit per share: dollar			
	<b>2022</b>		<b>2021</b>	
	<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>

(Continued)

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

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	131	-	131
Changes in fair value of hedging instrument	-	16,362	16,362
Changes in fair value of hedging instrument reclassified to inventories	-	(8,698)	(8,698)
Balance at September 30, 2023	<u>\$ 264</u>	<u>8,046</u>	<u>8,310</u>
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>

(s) **Share-based payment**

For the nine months ended September 30, 2023, the Group had the following share-based payment arrangements:

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

There were no such transaction for the nine months ended September 30, 2022.

(Continued)

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

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:

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

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

	<b>For the nine months ended September 30, 2023</b>	
	<b>Weighted-average exercise price (in dollars)</b>	<b>Number of options (shares)</b>
Outstanding at January 1	\$ -	-
Granted during the year	35	1,612,000
Exercised during the year	35	(1,268,453)
Expired during the year	35	(343,547)
Outstanding at September 30	-	-
Exercisable at September 30	-	-

The Group's compensation expenses stemming from the cash-settled share-based payment plan reserved for employees to subscribe for the three and nine months ended September 30, 2023, amounting to \$0 and \$38,366, respectively, and recorded as operating costs and expenses as well as in the capital surplus – employee stock options.

**(t) Earnings per share**

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

	Unit of share: thousand			
	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Basic earnings per share:</b>				
Profit attributable to common shareholders of the Company	\$ <u>52,080</u>	<u>6,169</u>	<u>25,435</u>	<u>8,776</u>
Weighted-average number of shares	<u>196,036</u>	<u>162,012</u>	<u>174,633</u>	<u>161,916</u>
	<u>\$ 0.27</u>	<u>0.04</u>	<u>0.15</u>	<u>0.05</u>

(Continued)

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
<b>Diluted earnings per share:</b>				
Profit attributable to common shareholders of the Company	\$ 52,080	6,169	25,435	8,776
Effect of dilutive ordinary shares:				
Convertible bonds	33	-	-	-
Profit attributable to common shareholders of the Company (diluted)	<u>\$ 52,113</u>	<u>6,169</u>	<u>25,435</u>	<u>8,776</u>
Weighted-average number of shares	196,036	162,012	174,633	161,916
Effect of dilutive ordinary shares:				
Remuneration to employees	27	13	31	29
Convertible bonds	598	-	-	-
Weighted-average number of shares (diluted)	<u>\$ 196,661</u>	<u>162,025</u>	<u>174,664</u>	<u>161,945</u>
	<u>\$ 0.26</u>	<u>0.04</u>	<u>0.15</u>	<u>0.05</u>

For the three months ended September 30, 2022 and for the nine months ended September 30, 2022 and 2023, there is an anti-diluted effect on convertible bonds.

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

1. Disaggregation of revenue

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
<u>Primary geographical markets:</u>				
Taiwan	\$ 993,194	1,057,655	3,136,562	2,714,024
Asia	143,642	48,688	355,349	201,796
Other	47,581	27,857	82,879	105,252
	<u>\$ 1,184,417</u>	<u>1,134,200</u>	<u>3,574,790</u>	<u>3,021,072</u>
<u>Major services and timing of revenue recognition:</u>				
Transferred at a point in time	\$			
Repair supply pricing	20,882	18,834	101,627	83,798
Outsourced repair and air material transaction	220,255	324,674	746,269	778,721
Subtotal	241,137	343,508	847,896	862,519

(Continued)

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Over time				
Aircraft maintenance	\$ 302,942	239,786	861,091	758,105
Fleet maintenance	125,391	110,917	379,471	356,123
Components maintenance	514,947	439,989	1,486,332	1,044,325
Subtotal	943,280	790,692	2,726,894	2,158,553
Total	<u>\$ 1,184,417</u>	<u>1,134,200</u>	<u>3,574,790</u>	<u>3,021,072</u>

2. Contract balances

	September 30, 2023	December 31, 2022	September 30, 2022
Notes, trade and overdue receivables	\$ 1,775,453	1,209,599	1,421,301
Less: Loss allowance	(1,469)	(1,127)	(1,584)
Total	<u>\$ 1,773,984</u>	<u>1,208,472</u>	<u>1,419,717</u>
Contract assets – Maintenance service	<u>\$ 1,184,021</u>	<u>913,851</u>	<u>904,489</u>
Contract liabilities – Maintenance service	<u>\$ 49,737</u>	<u>8,597</u>	<u>11,890</u>

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, 2023 and 2022 that were included in the contract liability balance at the beginning of the period were \$8,220 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

	September 30, 2023	December 31, 2022	September 30, 2022
Incremental costs of obtaining contracts – non-current	\$ 20,771	45,594	33,545
Less: accumulated amortization	(6,455)	(30,341)	(28,728)
Total	<u>\$ 14,316</u>	<u>15,253</u>	<u>4,817</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 \$887, \$1,612, \$2,662 and \$4,837 were recognized for the three and nine months ended September 30, 2023 and 2022.

(Continued)

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

(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 \$1,010, \$160, \$1,010 and \$227, for the three months and nine months ended September 30, 2023 and 2022, respectively. These amounts was 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, 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.

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

1. Other income

The details of other income were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Rent income	\$ 347	348	802	1,043
Other income – others	3,188	1,897	7,500	11,690
	<u>\$ 3,535</u>	<u>2,245</u>	<u>8,302</u>	<u>12,733</u>

2. Other gains and losses

The details of other gains and losses were as follows :

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Gains on disposals of propert, plant and equipment	\$ 15	-	309	11
Foreign exchange gains, net	5,366	1,749	12,233	8,382
Gains (losses) on valuation of financial assets at fair value through profit or loss	7	(47)	45	(290)
Handing fees	(2,406)	(2,546)	(10,347)	(8,051)
Others	(6)	(1)	(6)	(6)
	<u>\$ 2,976</u>	<u>(845)</u>	<u>2,234</u>	<u>46</u>

(Continued)

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

**(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 September 30, 2023, December 31 and September 30, 2022, a few customers of the Group accounted for 81%, 85% and 79%, 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 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 nine months ended September 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>
<b>September 30, 2023</b>						
Non-derivative financial liabilities						
With floating interest rates	\$ 1,085,185	1,096,919	943,997	52,588	100,334	-
With fixed interest rates	349,591	350,000	350,000	-	-	-
Non-interest-bearing liabilities	583,628	583,268	583,268	-	-	-
Lease liabilities	227,031	243,044	23,501	18,907	50,104	150,532

(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>
Derivative financial liabilities						
Forward exchange contracts:						
Outflow	\$ 402	13,925	13,925	-	-	-
Inflow	-	(13,523)	(13,523)	-	-	-
	<u>\$ 2,245,837</u>	<u>2,273,633</u>	<u>1,901,168</u>	<u>71,495</u>	<u>150,438</u>	<u>150,532</u>
<b>December 31, 2022</b>						
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>
<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	640,444	640,444	640,444	-	-	-
Lease liabilities	236,139	254,246	21,621	16,998	48,821	166,806
Derivative financial liabilities						
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>

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

(Continued)

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

3. Market risk

(i) Currency risk

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

	<u>September 30, 2023</u>			<u>December 31, 2022</u>			<u>September 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	\$ 7,122	32.27	229,818	7,199	30.71	221,080	8,865	31.75	281,463
<u>Non-monetary items</u>									
USD	6,782	32.27	218,855	3,345	30.71	102,725	5,518	31.75	175,197
GBP	600	39.23	23,538	-	-	-	-	-	-
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	5,856	32.27	188,966	9,930	30.71	304,938	8,884	31.75	282,507
<u>Non-monetary items</u>									
USD	-	-	-	3,711	30.71	113,965	129	31.75	4,095
GBP	352	39.23	13,809	-	-	-	-	-	-

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, 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 after tax will increase or decrease by \$327 and \$5, respectively, and the equity will increase or decrease by \$80 and \$71 due to cash flow hedges, respectively. This analysis was performed on a consistent basis for both periods.

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

	<u>January to September, 2023</u>		<u>January to September, 2022</u>	
	<u>Exchange gain (loss)</u>	<u>Average rate</u>	<u>Exchange gain (loss)</u>	<u>Average rate</u>
NTD	<u>\$ 12,233</u>	-	<u>8,382</u>	-

(Continued)

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

(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 \$6,511 and \$7,005 for the nine months ended September 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:

	September 30, 2023				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets for hedging</b>	<b><u>\$ 10,460</u></b>	-	10,460	-	10,460
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 205,100	-	-	-	-
Notes and trade receivables	1,773,984	-	-	-	-
Other receivables	2,175	-	-	-	-
Refundable deposits – current	67,917	-	-	-	-
Refundable deposits – non-current (recorded as other non-current assets)	<u>56,694</u>	-	-	-	-
	<b><u>\$2,105,870</u></b>				
<b>Financial liabilities for hedging</b>	<b><u>\$ 402</u></b>	-	402	-	402

(Continued)

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

	<b>September 30, 2023</b>				
	<b>Carrying amount</b>	<b>Fair Value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial liabilities measured at amortized cost</b>					
Short-term loans	\$ 848,185	-	-	-	-
Short-term notes payable	349,591	-	-	-	-
Payables	583,628	-	-	-	-
Long-term loans (included in current portion)	237,000	-	-	-	-
Lease liabilities	<u>227,031</u>	-	-	-	-
	<b><u>\$2,245,435</u></b>				
<b>December 31, 2022</b>					
	<b>Carrying amount</b>	<b>Fair Value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<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>	<b><u>\$ 2,112</u></b>	-	2,112	-	2,112
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 252,947	-	-	-	-
Notes and trade receivables	1,208,472	-	-	-	-
Other receivables	5,284	-	-	-	-
Refundable deposits – current	57,109	-	-	-	-
Refundable deposits – non-current (recorded as other non-current assets)	<u>26,547</u>	-	-	-	-
	<b><u>\$1,550,359</u></b>				
<b>Financial liabilities for hedging</b>	<b><u>\$ 1,634</u></b>	-	1,634	-	1,634
<b>Financial liabilities measured at amortized cost</b>					
Short-term loans	\$1,125,000	-	-	-	-
Short-term notes payable	549,704	-	-	-	-
Payables	648,601	-	-	-	-
Bonds payable	149,673	-	151,517	-	151,517
Long-term loans (included in current portion)	243,750	-	-	-	-
Lease liabilities	<u>232,720</u>	-	-	-	-
	<b><u>\$2,949,448</u></b>				

(Continued)

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

	September 30, 2022				
	Carrying amount	Level 1	Level 2	Level 3	Total
<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><u>\$1,836,858</u></b>				
<b>Financial liabilities for hedging</b>	\$ <u>11</u>	-	11	-	11
<b>Financial liabilities measured at amortized cost</b>					
Short-term loans	\$ 905,000	-	-	-	-
Short-term notes payable	849,485	-	-	-	-
Payables	640,444	-	-	-	-
Bonds payable	149,200	-	150,357	-	150,357
Long-term loans (included in current portion)	262,500	-	-	-	-
Lease liabilities	<u>236,139</u>	-	-	-	-
	<b><u>\$3,042,768</u></b>				

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 nine months ended September 30, 2023 and 2022.

(Continued)

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

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

Financial liabilities measured at amortized cost

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

The valuations of the liability part of the convertible bonds issued by the 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 nine months ended September 30, 2023 and 2022, 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, 2023 and 2022, please refer to note 6(r).

(Continued)

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

Reconciliation of liabilities arising from financing activities was as follows:

	<b>January 1, 2023</b>	<b>Cash flows</b>	<b>Non-cash changes</b>	<b>September 30, 2023</b>
Short-term loans	\$ 1,125,000	(276,815)	-	848,185
Short-term notes payable	549,704	(200,113)	-	349,591
Long-term loans (included in current portion)	243,750	(6,750)	-	237,000
Bonds payable	149,673	-	(149,673)	-
Lease liabilities	<u>232,720</u>	<u>(12,450)</u>	<u>6,761</u>	<u>227,031</u>
Total liabilities from financing activities	<u><b>\$ 2,300,847</b></u>	<u><b>(496,128)</b></u>	<u><b>(142,912)</b></u>	<u><b>1,661,807</b></u>
	<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	<u>248,531</u>	<u>(10,528)</u>	<u>(1,864)</u>	<u>236,139</u>
Total liabilities from financing activities	<u><b>\$ 2,212,246</b></u>	<u><b>193,104</b></u>	<u><b>(3,026)</b></u>	<u><b>2,402,324</b></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 September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Other related parties	<u>\$ 120</u>	<u>129</u>	<u>1,287</u>	<u>381</u>

(Continued)

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

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, 2023, December 31 and September 30, 2022, the receivables from related parties were \$75, \$19 and \$0, respectively, which recorded as trade receivables.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Short-term employee benefits	\$ 4,269	4,105	12,845	12,339
Post-employment benefits	176	170	1,237	509
	<u>\$ 4,445</u>	<u>4,275</u>	<u>14,082</u>	<u>12,848</u>

**(8) Pledged assets:**

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

Pledged assets	Object	September 30, 2023	December 31, 2022	September 30, 2022
Refundable deposits – current	Guarantee deposits and customs bond	\$ 67,917	57,109	81,333
Refundable deposits – non-current (Note1)	Guarantee deposits	56,694	26,547	27,785
Land	Short-term loans	255,076	255,076	255,076
Buildings and structures	Short-term loans	188,716	197,874	200,808
		<u>\$ 568,403</u>	<u>536,606</u>	<u>565,002</u>

Note 1: recorded as other non-current assets.

**(9) Significant commitments and contingencies:**

(a) Unrecognized contractual commitments

- As of September 30, 2023, December 31 and September 30, 2022, the maintenance bond and customs bond offered by banks amounted to \$1,977,239, \$2,133,476 and \$2,004,488, respectively.
- The Group signed contracts with domestic and foreign vendors for building and purchasing property, plant and equipment. As of September 30, 2023, December 31 and September 30, 2022, the contracts amounted to \$585,139, \$492,434 and \$498,154, respectively, and the unpaid payment was \$480,708, \$420,368 and \$433,511.

(b) Contingencies:None.

(Continued)

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

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

**(11) Subsequent Events:None**

**(12) 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 September 30					
		2023			2022		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		147,032	32,207	179,239	143,636	30,975	174,611
Labor and health insurance		15,398	3,782	19,180	14,613	3,709	18,322
Pension		7,892	1,664	9,556	7,723	1,654	9,377
Others		9,068	1,617	10,685	8,476	1,667	10,143
Depreciation (Note)		20,753	2,668	23,421	20,230	1,580	21,810
Amortization		1,495	113	1,608	2,763	225	2,988

By item	By function	For the nine months ended September 30					
		2023			2022		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		468,639	106,883	575,522	429,506	88,477	517,983
Labor and health insurance		46,181	9,653	55,834	43,517	9,196	52,713
Pension		23,700	4,906	28,606	23,182	4,423	27,605
Others		29,321	5,358	34,679	25,544	4,789	30,333
Depreciation (Note)		62,114	7,610	69,724	60,647	4,585	65,232
Amortization		4,448	495	4,943	5,243	474	5,717

Note : The covid-19-related rent concessions of \$0, \$814, \$0 and \$2,498 were recognized as deduction of depreciation expenses for the three and nine months ended September 30, 2023 and 2022, respectively.

- (b) Seasonality of operations

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

(Continued)

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

**(13) Other disclosures:**

(a) Information on significant transactions:

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

(Continued)

**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 nine months ended September 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 September 30, 2023			Net income (losses) of investee	Investment income (loss) recognized	Note
			September 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 %	3,374	(51)	(51)	(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		104,029,402	49.67 %
Taiwan Sugar Corporation		19,898,469	9.50 %

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

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

**(14) Segment information:**

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.