



Company Limited

Security code : 2630

Air Asia Co., Ltd

2018 Annual Report

Website of Market Observation Post System:

mops.twse.com.tw

Company website: www.airasia.com.tw

April 22, 2019

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V. Name of any exchanges where the company's securities are traded offshore, and the method by which to access information on said offshore securities: None.

VI. Company Website : www.airasia.com.tw

Air Asia Co., Ltd.

2018 Annual Report

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I. Letter to Shareholders

i. Business Results in 2018

(i). Implementation of the business plan

The company's 2018 annual operating revenue is NT\$ 2,719,354(K), net profit after tax is NT\$ 15,405 (K) and the earnings per share is NT\$ 0.13.

(ii). Status of budget implementation

2018 annual operating revenue is NT\$ 2,719,354(K). Military aircraft business revenue accounted for 56%, gross margin was 15%; business aircraft business revenue accounted for 18%, gross margin was 11%; helicopter business revenue accounted for 26%, gross margin was 6%, due to some business in execution depends on the defense budget of other countries, so there is a delay and a shortage of work, and the business aircraft has grown substantially in the fourth quarter, which makes the company's overall profit still have a surplus.

(iii). Financial revenue and expenditure and profitability Analysis

The Company's 2018 net profit after tax is NT\$ 15,405 (K), mainly due to the increase in the proportion of government business, the company's commitment to EASA certification and improvement of the facilities, all result in the net profit was not as expected. The operating revenue/expenditure and profitability were as follows:

1. 2018 annual operating revenue is NT\$ 2,719,354 (K), an increase of NT\$ 301,610 (K) from NT\$ 2,417,744 (K) in 2017
2. 2018 net profit after tax is NT\$ 15,405 (K), a decrease of NT\$ 107,988 (K) and the earnings per share is NT\$ 123,393 (K).

(iv). Research and development status

The company's research and development expenditure in 2018 is NT\$ 22,306 (K), the major research and development achievements are as follows:

- 1.Completion of modification design and system simulation test of the Army TH-67 helicopter air-conditioning system replacement R&D plan. In the future, we will pursue the upgrade of the TH-67 helicopter avionics system and strive to develop new business and energy with the improved R&D modification technology
2. 3D Laser Metal Additive Manufacturing Aerospace Product Project (Powder Bed Fusion)
 - (1) Complete the expected test slices and test pieces of 3D laser titanium layer the aerospace repair process, which has been found domestically, and participate, and jointly develop the covering aerospace repair process with the industrial service project from the Laser and Additive Manufacturing Technology Center (LAMC), the Industrial Technology Research Institute(ITRI), in order to improve the process environment. It is expected that the analysis of the test slices, test pieces and metallographic materials and mechanical strength will be completed in April 2019.
 - (2) For stainless steel 17-4 PH test products and aluminum castings A356 aerospace disappearing merchandises, in the experiments of optical grain structure inspection, Coupon test piece hardness and mechanical strength tensile force, pores and other tests, material properties are greater than or equal to the original design requirements, which have obtained the signatures of ITRI and Additive Manufacturing Center, NCSIST to manufacture and test the qualified products which can be installed on the military aircraft with the consent of the military. This may alleviate the dissatisfaction of some military merchandises such as 17-4 PH stainless steel and A356 cast aluminum structural parts.

ii.2019 Annual business plan summary

(i).Business side

1.Commercial aircraft repair business

The Civil Aircraft Division is the professional repairing factory mainly engaged in single-aisle narrow-body/spur aircraft such as Boeing B737, Airbus A320 series and Bombardier Dash8-Q400, based on the "maintaining existing customers" and "developing new customers" strategies, we will develop short, medium and long-term plans to expand energy and strive for new customers and fleets to enter the factory.

In recent years, this division has used professional independence, competitive maintenance cycles, customized services and advantageous management, cooperating with the government's "Southward" policy and implement various business development plans. In addition to maintaining the existing customer, it also acquired new customer aircraft such as South Korea's Air Incheon and Air Busan, Philippines' Pan Pacific Airlines, Vietnam's VietJet Air, Cambodia's Cambodia Airways and Thailand's Nok Air. In 2018, it creates a record-high maintenance record of 67 aircrafts.

The line maintenance energy preparation was completed in the year 2018. In 2019, it began to enter the main domestic airports such as Taoyuan, Taichung, Tainan and Kaohsiung. In the future, we will continue to extend northbound to Songshan Airport in line with customer demand, providing customers with immediate online maintenance services, in order to expand the territory in the increasingly competitive aerospace maintenance market and serve more customers.

2. Government and military aircraft maintenance business

We exactly carried out the repair business of various types of aircraft and accessories according to the contracts of “Air Force Second Logistics Command Military Factory Delegating Private Operation Project” and “Air Force Songshan Base Command Rehabilitation and Supply Team Delegating Private Operation Project”, based on the principle of flight safety first. And we shall, on-time and as the quality required, complete the military commissioned work, ensure that annual repairs are completed, meet customer needs, support the shortage of troops, and carry out combat, drills, and training tasks.

We had fully used the transferred assets from Second Logistics Command in GOCO Project for performance of third-party operations (Pingdong Flight Repair Factory-FBO, spray paint, MRO/Taichung accessory factory-electroplating, hydraulic II certification items), in order to increase the overall revenue and create the operation results in GOCO project.

We shall actively strive to include the O/L maintenance work in the renewed contract of “Air Force Songshan Base Command Rehabilitation and Supply Team Delegating Private Operation Project”, in order to expand the scope of services and the total contract price, to make O, I, D/ L combined and to unify the tasks and powers.

We shall actively plan and promote the B-1900 Seahunter project marketing, draft the proposals and overall specification, and obtain the contract.

We shall actively strive for a five-year contract for the “Technical Order Upgrade Project of Auto Flight Test System”

3. Helicopter repair business

This company has accumulated years of experience in repairing Bell series helicopters (AH-1W, OH-58D, TH-67, UH-1H, BELL 212, BELL 412) and Boeing CH-47 helicopters and shall strive to open up military or government helicopters and accessories for maintenance in Thailand, the Philippines and Vietnam and the friendly countries. The Breeze-Eastern company (US) has agreed that this company's life-saving crane and cargo crane may be used for repair and agency work in Asia (excluding Japan and India) and this company is actively developing Southeast Asia and Northeast Asia markets. Currently, we are actively developing Southeast Asia and Northeast Asia markets.

The engine and accessory repair factory is currently actively developing the AW-139 and AW-109 helicopter life-saving crane maintenance capability and related certification operations in order to cooperate with the actively growth of maintenance needs for such two type of helicopters in Asia. That factory is evaluating the market trend for auxiliary power unit (APU), as the basis for the development of maintenance capability.

The Army TH-67 helicopter has been in service for several decades. The related navigation and communication system failure rate has risen and the maintenance cost has increased. This company has proposed to the Army to replace some products and improve the availability of the TH-67 helicopter for missions.

(ii). Management side

In order to achieve the overall operational objectives, we will actively grasp the overall operation and function, adopt a professional division of talent adaptability and strengthen the management of teamwork, and continue to strengthen the following key points:

1. Manpower Enhancement

- (1) Continuous manpower reduction, aiming at maximizing per capita output value.
- (2) The recruitment channels and the selection process shall be objective and impartial in order to select suitable employees.
- (3) Reward the license holders and trained professionals to enhance the competitiveness of the civil aircraft business.

2. Talent cultivation

- (1) Train technical manpower and reserve talents through school-to-work Programs with colleges and self-organized aircraft maintenance training courses to enhance qualified manpower and increase repair capacity.
- (2) Introduce the youth employment workplace training program, emphasize on youth's workplace adaptability and professional skills learning, in order to improve youth's job satisfaction and employment stability.
- (3) Handling supervisor training for management functions, so as to produce the work team's coherence and management synergy.
- (4) Open an English training class for employees in order to make company's employees more internationally competitive.
- (5) Encourage and assist employees to obtain licenses in order to increase the proportion of civil aviation licenses holders in the whole employees and improve existing repair standards.

3. Resource management and enhancement of competitiveness

- (1) Continuous analysis of manpower usage and control of idle manpower for fully utilization of manpower.
- (2) Encourage production units to handle manpower exchange and training of second expertise, in order to meet the goals of cooperating with of working capacity, adjusting human complementarily and reducing idle capacity.
- (3) In line with work needs, actively adjust manpower by shifting and spelling, in order to strengthen competitiveness.

4. Strive for certification and quality improvement

- (1) Strive to obtain the EASA and AS9110 quality management system certification, and maintain the maintenance certificate granted by the civil aviation authorities of various countries and capability to effectively expand the market.
- (2) Implement comprehensive safety and comprehensive quality assurance with the Safety Management System and maintenance specifications to effectively improve quality.

5. Strict management for controlling and reducing operating costs

- (1) Use internal control and information systems to strictly control the budget and reduce company expenses.
- (2) Reduce operating costs to ensure company's profits and achieve set goals.
- (3) Continuous review to reduce inventory of raw materials.
- (4) Expanding business sources and business conditions to reduce the time and cost of waiting for materials, and regularly review the unspent parts of each project to reduce the occurrence of excess materials.

iii. Future company development strategy

(i). Commercial aircraft maintenance business

With the development of regional economy and increasing transportation demand, low-cost airlines have mushroomed, driving the demand for single-aisle narrow-body aircraft to grow rapidly. Therefore, future business development will specifically analyze market demand and fleet, and actively develop new customer bases and .business. The key points are as follows:

1. The expansion of the line maintenance business is the first priority.
2. Explore the old aircraft market to increase customers with high total prices.
3. Develop a low-cost aviation market and continue to keep old customers and develop new customers in order to increase market share.
4. Take the Flag Carrier and traditional airlines as the medium-term target.

5. Leased aircraft maintenance work after return.

6. Third party operation FBO.

In 2019, with the development of new aircraft maintenance capability (A320neo and B737 MAX), obtainment of EASA license, third party operation and site landing permit in Pingtung, we are aiming breaking through the maintenance of 100 sorties.

(ii). Government and military aircraft maintenance business

Establishment of Taiwan area hardware fastener plating center: Taichung's accessory plating workshop has 25 plating tanks, which can perform chrome plating, cadmium plating and anodizing. In order to expand the use of transferred equipment, manpower and strive for third-party operations, we have actively planned to handle ventilation and exhaust improve project, equipment maintenance, purchase and automation operation, and plan for application of ISO 9001 and AS 9110 certification (expected to obtain certification in June 2019). Through marketing promotion, we will strive for electroplating and expand production capacity.

Striving for include the flight management system project into the Songshan Project: this company has obtained the three-year (2019-2021) contract of "Automatic Flight management System Delegating Commercial maintenance Project(EK08004L032)" from the Air Force Songshan Base Command. We will continue to lobby the military include the flight management system project and technical order upgrade project into the scope of work. This may effectively establish the "entry barriers" to prevent competitors from participating in the price competition.

Strive for industrial cooperation energy: F-16 hydraulic HYD-II Taichung accessories factory has been certified with 20 hydraulic components maintenance energy. There are still 7 succeeding certifications in the P-3C industrial cooperation items. After completing the capability preparation and certification, in addition to including the transferred capability lists from the GOCO project of Air Force Second Logistics Command for the work commissioned by Air Force, we shall also strive for such work to be included in the third party operation.

Actively expand the third-party operations: Actively expand third-party operations: plan to expand the third-party operation of Pingtung aircraft maintenance factory to execute business conditions of FBO, civil aircraft paint spray or removal/MRO, Taichung accessory factory electroplating and surface treatment and other third party operation. Thus, establish an "entry

barrier" on Air Force Second Logistics Command's state-owned private-operating projects, in order to obtain the best favorable position for the renewal/new contract.

(iii). Strive for repair business in Southeast Asia/Northeast Asia

In line with the new southward policy, this company plans to sign a life-saving crane maintenance contract with Singapore in 2019; it actively negotiates with South Korea for cargo crane maintenance; and it is actively engaging in aircraft and parts repair operations from Thailand, Indonesia, the Philippines, Vietnam and Bangladesh.

(iv). Make full use of the state-owned private-operating Dasheng camp to implement third party operation, in order to increase the maintenance capability. Now we have been certified by the Civil Aviation Administration of the United States, Taiwan, Russia, the Philippines, Indonesia, Cayman, South Korea, Vietnam and Bermuda, and may carry out the aircraft maintenance business of those countries. In the future, we will catch up the civil aviation bureau's renewal schedule and handle the Dasheng camp maintenance factory certification operation.

iv. Influence suffered from the external competitive environment, regulatory environment and overall business environment

The maintenance services for military aircraft and commercial aircraft are strictly regulated by relevant national laws and regulations. This company currently has a number of maintenance certification authorized from those international aircraft and accessories Original Equipment Manufacturer. Looking forward to the future, in addition to the continuous deployment of domestic and international commercial aircraft maintenance market, this company continues to consolidate domestic and international business capabilities and steady growth under the government's release of business opportunity and unchanged new southward policy.

II. Company Profile

i. Date of incorporation

January 19, 1955

ii. Company history (As of the print date of annual report)

The history of AirAsia Co., Ltd. can be traced back to 1946. The predecessor of it was the China National Relief and Rehabilitation Administration (CNRRA) formed by the world-famous commander of the US Air Force 14th Aviation team in WW2, Claire Lee Chennault. In 1948, the CNRRA was subject to Civil Aeronautics Administration, MOTC instead of Executive Yuan. The direct-commanded CNRRA changed its name to Civil Air Transport (CAT) under special permission of Civil Aeronautics Administration.

After the Korean War Due to the large number of repair services for many US military transport planes, helicopters and fighter jets, the amount of repairs has increased, and the company's employees and maintenance capability have grown rapidly.

1955 The Civil Air Transport Team (CAT) was reorganized and registered as two companies. One was the only civil air transport company (Civil Air Transport Company Limited) that operated domestic and international routes. The other was registered as this Air Asia Co. Ltd., which is subject to the US semi-official company (Air America), with a registered capital of NT\$ 80,000 (K) and the paid-up capital of NT\$60,800 (K).

During the Vietnam War It was the primary military aircraft maintenance base of US in the Pacific region with more than 4,000 to 5,000 employees, and the only qualified Depot Level repair factory of US Air Force in the Southeast Asia and Pacific region. It was also the first aircraft maintenance company in the Pacific region which received the Federal Aviation Administration (FAA) certification.

1975 It was transferred to an overseas subsidiary of E-System Inc. of Texas, USA.

1987 AirAsia was transferred to Precision Air Motive, a specialist in aircraft engines and components.

Registered Capital was NT\$ 282,800 (K).

1988 AirAsia was first time operated by Chinese people.

- 1993 Jingying Venture Capital Co., Ltd obtained the management rights; Mr. Chiu Fu-de took office of Chairman and Mr. Chen You-Min took office of General Manager.
- 1994 It became a subsidiary of Taiwan Aerospace Corp. and the Chairman was replaced by Mr. Sun Tao-tsun, the Chairman of Taiwan Aerospace Corp.
ISO9002 certification obtained.
- 1995 Signed a maintenance cooperation agreement with Bell Helicopter Company to become the Asia Pacific Service Center.
Signed a maintenance cooperation agreement with McDonnell Douglas of the United States and also became the aircraft maintenance center in Taiwan of McDonnell Douglas.
The helicopter center was officially opened in October.
Capital increase of NT\$200,000 (K), the capital was increased to NT\$482,800 (K).
- 1996 The company's 50th anniversary.
Signed a maintenance cooperation agreement with American helicopter manufacturer Sikorsky.
Capital increase of NT\$200,000 (K), the capital was increased to NT\$682,800 (K).
- 1997 Cooperated with the government to promote "Developing Taiwan to Asia-Pacific Operation Center Project" and sign a "Cooperative Development Agreement for Tainan Aerospace Industrial Zone" with Taiwan Sugar Cop., and jointly develop the "Asia-Pacific Aircraft Maintenance Center".
- 1998 Conducted supplemental public issuance and became a public company.
- 1999 In line with the relevant hangar construction and capability expansion plan in the "New AirAsia Project", this company issued 34,720 (K) shares and raised a fund of NT\$694,440 (K); the company's capital became NT\$1,030,000 (K) after capital increase.
Obtained ISO9001 certification and it was the first professional maintenance factory for aircraft in the Republic of China which obtained the national quality certification ISO9001.

- 2000 Actively carried out operations such as plant expansion, equipment replacement and capability preparation, and established a complete aircraft maintenance and modification capability by participating in various international cooperation and strategic alliances
- Participated in the Boeing B737 passenger to cargo aircraft modification project and established a joint venture company, ICAS Co. Ltd (ICAS), with China Airlines, EVA Air and Aerospace Industrial Development Corporation.
- Established a reinvestment company, Air Asia Technology Inc., in order to expand the avionics capability and business and establish a full capability maintenance system.
- 2001 The newly built wide-body hangar was completed and used.
- Passed the ISO9001 certification conversion of 2000 version.
- 2002 Established Air Asia Company Ltd., a subsidiary company in the United States, to lay the foundation for the expansion of the industry and the extension of business reach.
- Cooperate with the Department of Defense's strategic military aircraft commercial maintenance business, and actively obtain authorizations for the sales of aircraft materials such as Bell, Boeing B-234, Raytheon, PW, Honeywell, Sikorsky, and Allison.
- 2003 The Ministry of Defense's strategic commercial maintenance business was officially released and three long-term contracts of TH-67, OH-58 and S-2T were obtained.
- 2004 Obtained the contract of the annual fleet commercial maintenance service of the National Airborne Service Corps of the Ministry of the Interior.
- Obtained the long-term strategic commercial maintenance contract for the whole aircraft of CH-47SD helicopter.
- On December 6, Mr. Tsai Minghsun took over the position of chairman.
- 2005 On January 1, Mr. Yu Hung took over the position of general manager.
- The capital reduction was made to make up the loss of NT\$700,000 (K) and the capital amount was changed to NT\$330,000 (K).
- Jointly obtained the long-term contract for private business commissioned by the Second Logistics Command of Air Force of the Ministry of Defense with Aerospace Industrial Development Corporation and Evergreen Aviation Technologies Corp.
- Obtained long-term contract of Air Force Songshan Base Command Rehabilitation and Supply Team Delegating Private Operation Project
- 2005

2006	This company issued 36,364 (K) shares by capital increase and raised a fund of NT\$400,000 (K); the company's capital became NT\$693,636 (K) after capital increase.
2007	Received a license certificate of aircraft maintenance factory from the Japanese Civil Aviation Authority. Obtained a long-term contract with Japan Airlines MD-80 fleet.
2008	On January 2, Mr. Jin Defu took over the position of chairman; Mr. Zhuang Shundian took over the post of general manager. On June 23, Mr. Wang Hongzhi took over the position of chairman. 13,877 (K) shares issued by capital increase out of earnings and employees' bonuses transferred to capital increase. The paid up capital was NT\$832,408 (K) after capital increase.
2009	On September 1, Mr. Wu Husheng took over the position of general manager. 6,782 (K) shares issued by capital increase out of earnings and employees' bonuses transferred to capital increase. The paid up capital was NT\$900,230 (K) after capital increase. In October, Aircraft Maintenance Factory License from China Civil Aviation Administration was awarded.
2010	5,564 (K) shares issued by capital increase out of earnings and employees' bonuses transferred to capital increase. The paid up capital was NT\$955,874 (K) after capital increase. Obtained a long-term contract of B737 fleet from Japan Transocean Air.
2011	On September 16, Mr. Zhang Hanqing took over the position of chairman.
2012	Obtained a long-term contract of B737-800 fleet from the Korean t'way airline, and officially entered the next-generation commercial aircraft maintenance business. 10,242 (K) shares issued by capital increase out of earnings and employees' bonuses transferred to capital increase. The paid up capital was NT\$1,058,296 (K) after capital increase. On November 8, Mr. Huang Guangzhi took over the position of chairman.
2012	On November 9, Mr. Lan Liangjia took over the position of general manager.

- 2013
- Obtained the long-term strategic commercial maintenance contract for the whole aircraft of CH-47SD helicopter.
 - Jointly obtained the long-term contract for private business commissioned by the Air Force Second Logistics Command military factory with Taiwan Aerospace Corp. and Wan Cheng International Human Resource Co., Ltd.
 - Obtained the long-term strategic commercial maintenance contract for the whole aircraft of Army AH-1W helicopter.
 - Obtained long-term contract of Air Force Songshan Base Command Rehabilitation and Supply Team Delegating Private Operation Project
- 2014
- Obtained the long-term strategic commercial maintenance contract for the whole aircraft of Army TH-67 helicopter.
 - Obtained a long-term maintenance contract of A319 fleet from the Russian Aurora Airline.
 - On March 12, Mr. Siwei took over the position of chairman.
 - On December 1, Mr. Zhang Hanqing took over position of general manager.
- 2015
- Obtained a long-term maintenance contract of B737 fleet from the Korean Jeju Air.
 - Obtained a long-term maintenance contract of A320 fleet from the Japanese Peach Aviation.
 - Obtained a long-term maintenance contract of Dash-8 fleet from the Russian Aurora Airline
 - On December 24, Mr. Wan Tong took over the position of chairman.
- 2016
- Obtained the contract of UH-60M Black Hawk helicopter rescue training project from National Airborne Service Corps.
 - On January 5, Chairman Wan Tong also took over the position of general manager.
 - Obtained the two-year commercial maintenance contract of preventive maintenance and repair service project for UH-1H helicopter from National Airborne Service Corps.
 - Obtained the half year commercial maintenance contract of preventive maintenance and repair service project for B-234 helicopter from National Airborne Service Corps.
 - Obtained the three-year commercial maintenance contract of preventive maintenance and repair service project for Beech fixed-wings fleet from National Airborne Service Corps since 2017 to 2019.
- 2016
- Obtained a long-term strategic commercial maintenance contract for TH-67 helicopter from the Army. On November 2, Mr. Lu Tianlin took over position of chairman and concurrently as general manager.

2017	Capital increase of NT\$20,000 (K), the capital was increased to NT\$1,078,296 (K). This company's stock is listed on the counter. Obtained a long-term contract of B737 fleet from Japan Transocean Air. Signed a Memorandum of Understanding (MOU) with Lockheed Martin US and Taiwan Aerospace Corp. Jointly obtained a long-term contract of Air Force Second Logistics Command Military Factory Delegating Private Operation Project with Champion Auto Co., Ltd. Obtained a long-term contract of strategic commercial maintenance contract for the whole aircraft of OH-58D helicopter of Army of Ministry of Defense.
2018	Before initial public offering, an issuance of 14,378,444 common shares, the capital was increased to NT\$1,222,080 (K) after capital increase. On February 22, the company's shares were traded on the Taiwan Stock Exchange Corporation. This company's organization was re organized into three business units of civil aircraft, military aircraft and helicopter to be responsible for various market operations and development. Completed AS9110 certification to improve quality and expand the market. Obtained maintenance contract of 4 cranes on UH-60M Black Hawk helicopter from National Airborne Service Corps. Obtained five-year contract in the Air Force Second Logistics Command Military Factory state-owned private-operating Project and the contract was renewed once. Obtained three year contract in Air Force Automatic Flight management System delegating commercial maintenance project, and the contract was extended for three years. Obtained two-year contract in Air Force TFE731-2-2L engine parts and accessories open for sale project.
2018	
2019	The registration of “deregistration of treasury shares and reduction of capital” was carried out, and the capital amount was changed to NT\$1,201,200 (K).

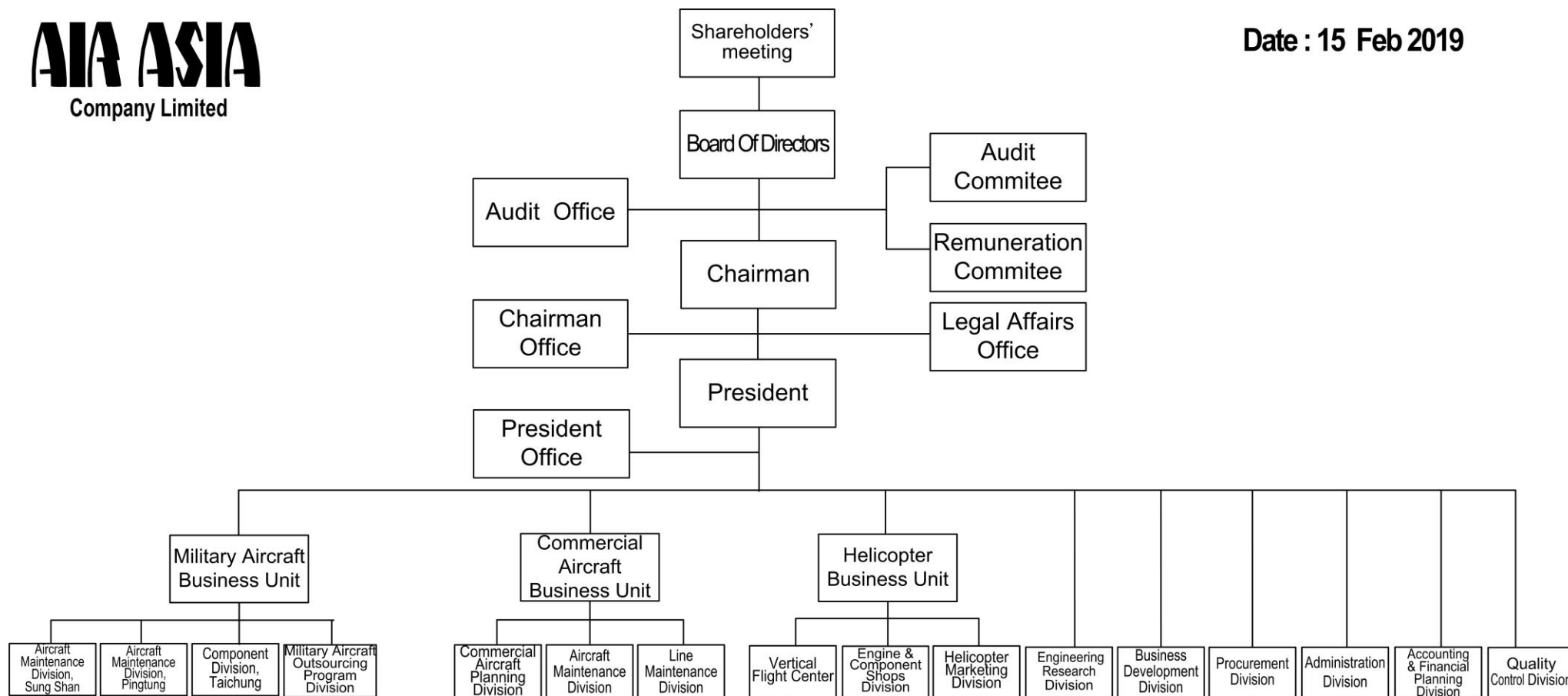
III. Corporate governance report

i. Organization system

(i). Organization Structure



Date : 15 Feb 2019



(ii).Business operated by respective main departments

Department	Descriptions of main functions
Chairman's office	Responsible for company operation policy planning and control, corporate operations, risk assessment, stakeholder, decision analysis and other relevant issues.
Audit Department	Responsible for checking and evaluating whether the internal system in each unit is appropriate, effective and complete, and assisting the board of directors and management to promote the implementation of various internal control systems.
Office of legal affairs	Responsible for legal advice, providing explanations, regulatory amendments, contract review and other legal related affairs.
General manager's office	Responsible for supervising Engineering R&D department/ Business Development Division, Procurement Division /Management Division and Finance Division.
Military aircraft business unit	Responsible for supervising Songshan factory, Taichung accessories factory and Military aircraft project division; further, and Taichung production control group, Pingtong production control group and Songshan production control group.
Civil aircraft business unit	Responsible for supervising Civil aircraft planning division, Fixed wings aircraft maintenance factory and Line maintenance division.
Helicopter business unit	Responsible for supervising Helicopter factory, Engine and accessories maintenance factory and Helicopter Business Division
Engineering R&D division	Responsible for industrial technology analysis and R&D, with expectation of technical leadership, in order to create better profits.
Business Development Division	Responsible for new business development and evaluation, control and preparation of capacity, various contracts, and agreement consolidation control.
Procurement Division	Responsible for management operations such as material procurement, receiving, warehousing and distribution, and timely solving material matters.
Management Division	Adhering to the company's policies to perform all personnel, administrative, general, safety and health, facilities, equipment maintenance and other operations within the company.
Finance Division	Manage the company's budget control, finance, accounting, financial institution transactions, communication and analysis of accounting transactions with accountants, and the scheduling and operation of operational capital.
Quality Control Division	Responsible for all quality control operations in production operations to meet FAA, CAA and original factory requirements in order to ensure the best quality of service for customers.

ii.Directors, Supervisors, General Manager, Assistant General Manager, Associates, Departments and Branches Officer Information

(i).Information of directors and supervisors

April 22,2019

Title	Nationality or place of registration	Name	Gender	Date of election (taking office)	Term of office	First elected date	Shares held at election		Shares held now		Shares held by spouse and minor children		Shares held under other's name		Main (education) experience	Position now concurrently served in this company and other company	The other head, director or supervisor is his/her spouse or a relative within the second degree of kinship		
							Shares	Ratio	Shares	Ratio	Shares	Ratio	Shares	Ratio			Title	Name	Relation
Chairman	ROC	Taiwan Aerospace Corp.	-	Jun.11,2018	3 Y	Dec.16,1994	86,783,566	82.00%	83,483,566	69.50%	-	-	-	-	-	-	-	-	-
	ROC	Lu Tian-Lin	M	Jun.11,2018	3 Y	Nov.2,2016	-	-	362,000	0.30%	-	-	-	-	Master of Engineering, National Taiwan Ocean University The 6th National Non-Divisional Register of the Legislative Yuan Chairman of the Labor Committee of the Executive Yuan	Chairman of Taiwan Aerospace Corp. Director of Apex Flight Academy. Air Asia Company Ltd.(USA) Director、President	-	-	-
Director	ROC	Taiwan Aerospace Corp.	-	Jun.11,2018	3 Y	Dec.16,1994	86,783,566	82.00%	83,483,566	69.50%	-	-	-	-	-	-	-	-	-
	ROC	Li Yueh-Tsung	M	Feb.1,2019	Note 1	Feb.1,2019	-	-	-	-	-	-	-	-	National Chung Cheng University Labor Research Institute Department of Social Work, Tunghai University Tainan Vocational Training Center, Vocational Training Bureau, Labor Committee of the Executive Yuan Executive Director of Gao,Ping Yi, Dong District Employment Service Center, Vocational Training Council, Labour Committee, the Executive Yuan, Executive Director of the Employment Service Center of Yun,Jia,Nan District Employment Service Center, Vocational Training Council, Labour Committee, the Executive Yuan, Director of the Yun,Jia,Nan Branch of the Labor Development Department, Ministry of Labor,the Executive Yuan	Supervisor of Taiwan Aerospace Corp	-	-	-
Director	ROC	Taiwan Aerospace Corp.	-	Jun.11,2018	3 Y	Dec.16,1994	86,783,566	82.00%	83,483,566	69.50%	-	-	-	-	-	-	-	-	-
	ROC	Chen Chin-Ming	M	Jun.11,2018	3 Y	Oct.01,2015	-	-	-	-	-	-	-	-	PhD, Institute of Engineering Science and Technology, National Kaohsiung First University of Science and Technology Master of Mechanical Engineering, National Taiwan University Acting CEO, Metal Industries Research and Development Center Secretary General of CTCA Director of Taiwan Implant Technology Company, Ltd. Director of Precision Machinery Research &	Vice President of Metal Industries Research and Development Center Director of Committee for Aviation Industry Development Director of Taiwan Aerospace Corp. Chairman of the Taiwan Light Metals Association Standing Supervisor of Welfare Organization for the Elderly, Taiwan, R.O.C. Executive Director of CTCA Executive Director of Taiwan Supercritical	-	-	-

Title	Nationality or place of registration	Name	Gender	Date of election (taking office)	Term of office	First elected date	Shares held at election		Shares held now		Shares held by spouse and minor children		Shares held under other's name		Main (education) experience	Position now concurrently served in this company and other company	The other head, director or supervisor is his/her spouse or a relative within the second degree of kinship		
							Shares	Ratio	Shares	Ratio	Shares	Ratio	Shares	Ratio			Title	Name	Relation
Director	ROC	Taiwan Aerospace Corp.	-	Jun.11,2018	3 Y	Dec.16,1994	86,783,566	82.00%	83,483,566	69.50%	-	-	-	-	Development Center Director of Taiwan Fukang Co., Ltd. Secretary General of Chinese Institute of Automation Engineers	Fluid Association Consultant of Taiwan Medical Care Assistive Technologies Association	-	-	-
	ROC	Hsieh Ho-Cheng	M	Jun.11,2018	3 Y	Mar.01,2018	-	-	50,317	0.04%	-	-	-	-	Department of Applied English, Nantai University of Science and Technology Executive Director of Union of Air Asia Co., Ltd.	Chairman of Corporate union of Air Asia Co., Ltd. Director of Chinese Federation of Labor	-	-	-
Director	ROC	Lu Chun-Wei	M	Jun.11,2018	3 Y	Jun.19,2017	-	-	-	-	-	-	-	-	PhD, Department of Political Science, National Taiwan University Member of the National Financial Member of Executive Yuan National Development Fund - Investment M&A Investment Fund Review Committee Consultant of Taipei City Government (Industry Development Group) Independent Director of Taiwan Finance Corporation. Associate Research Fellow of Research Division II and National Economic Development Strategy Center, Taiwan Institute of Economic Research	Independent Director and Convener of Audit Committee of Mega Financial Holding Company Ltd	-	-	-
Director	ROC	Taiwan Sugar Cop.	-	Jun.11,2018	3 Y	Aug.31,1999	16,301,019	15.40%	16,301,019	13.57%	-	-	-	-	-	-	-	-	-
	ROC	Hsu Chi-sheng	M	Sep.10,2018	Note 2	Sep.10,2018	-	-	-	-	-	-	-	-	Department of Business, National Open University Director of Nan-kwang Senior High School CEO of Petroleum Business Division of Taiwan Sugar Cop.		-	-	-
Director	ROC	Taiwan Sugar Cop.	-	Jun.11,2018	3 Y	Aug.31,1999	16,301,019	15.40%	16,301,019	13.57%	-	-	-	-	-	-	-	-	-
	ROC	Jheng Su-Hua	F	Jun.11,2018	3 Y	Mar.14,2017	-	-	-	-	-	-	-	-	Member of Labor Committee, Executive Yuan Honorary Chairman of the National Workers General Union Executive Secretary of New Taipei City Vehicle drivers professional union Chairman of the 2nd and 3rd Session National Workers' Federation of Trade Unions Executive Director of 25th session of Taipei County General Union Chairman of 25th and 26th session of Taipei County General Union Member of the Central Health Insurance Bureau Hospital Total Payment Committee Member of the Labor Insurance Supervision Committee, Labor Committee, Executive Yuan Task-based Representative of National Assembly		-	-	-

Title	Nationality or place of registration	Name	Gender	Date of election (taking office)	Term of office	First elected date	Shares held at election		Shares held now		Shares held by spouse and minor children		Shares held under other's name		Main (education) experience	Position now concurrently served in this company and other company	The other head, director or supervisor is his/her spouse or a relative within the second degree of kinship		
							Shares	Ratio	Shares	Ratio	Shares	Ratio	Shares	Ratio			Title	Name	Relation
															Member of Basic Wage Review Committee, Labor Committee, Executive Yuan Member of 11th Session of Employment Stability Fund Committee, Ministry of Labor, Executive Yuan				
Director	ROC	Taiwan Aerospace Corp.	-	Jun.11,2018	3 Y	Dec.16,1994	86,783,566	82.00%	83,483,566	69.50%	-	-	-	-	-	-	-	-	-
		Shih Kuan-yu	M	Jun.11,2018	3 Y	Jun.11,2018	-	-	-	-	-	-	-	-	Master of Economics, National Taiwan University Bachelor of Economics, National Chengchi University Researcher of the Department of Health of the Executive Yuan Assistant Researcher, Taiwan Institute of Economic Research Supervisor of the Association of Taiwan Public Issues Research				
Independent Director	ROC	Cheng Chih-yang	M	Jun.11,2018	3 Y	Jun.11,2018	-	-	-	-	-	-	-	-	Master of Laws, University of Southern California, USA Master of Laws, National Taiwan University Senior Attorney, Lee and Li Attorneys at Law Primaiy partment, LexCel Partments Attorneys at Law Partner, Chien Yeh Law Offices	Integrated Partner, TSAR & TSAI LAW FIRM			
Independent Director	ROC	Ko Jen-Wei	M	Jun.11,2018	3 Y	Sep.25,2017	-	-	-	-	-	-	-	-	Master of Business Administration, University of Southern California, USA Bachelor of Accountancy, National Taiwan University Financial Manager, Dell Corporation Audit Manager, Dell Corporation Audit Team Leader of Deloitte & Touche	CPA, Weyong International CPAs & Co. Director of Chief Consultant Co., Ltd. Chairman of Chida Co., Ltd.,			
Independent Director	ROC	Huang Shih-Chang	M	Jun.11,2018	3 Y	Jun.11,2018	-	-	-	-	-	-	-	-	Ph.D., Department of Finance, National Chengchi University Deputy Director,, Taiwan Center, Chung-hua Institution for Economic Research Vice President, Chung-hua Institution for Economic Research Researcher, Chung-hua Institution for Economic Research Adjunct Assistant Professor, Department of Public Finance, National Chengchi University Adjunct Assistant Professor, Department of Public Finance and Tax Administration, National Taipei University of Business Executive Secretary, Asia Pacific Industrial Analysis Association				
Note 1: He has served as a director of the company since Feb. 1, 2019, the term is till Jun. 10, 2021. Note 2: He has served as a director of the company since Sep. 10, 2018, the term is till Jun. 10, 2021.																			

(ii).Major shareholders of juristic person shareholders

April 22,2019

Name of juristic person shareholders	Major shareholders of juristic person shareholders	Share ratio
Taiwan Aerospace Corp.	National Development Fund , Executive Yuan	49.00%
	Cathay Life Insurance Company, Ltd.	9.96%
	Mega International Commercial Bank Co., Ltd.	6.02%
	CTBC Bank Co., Ltd.	5.00%
	TransGlobe Life Insurance Inc.	4.39%
	Evergreen Steel Corp.	4.05%
	Shin Kong Life Insurance Co., Ltd.	2.50%
	China Life Insurance Co., Ltd.	2.50%
	Taipei Fubon Commercial Bank Co., Ltd.	1.25%
Taiwan Sugar Corp.	Ministry of Economics	86.15%
	Northern Region Branch, National Property Administration, MOF	9.92%

(iii). When major shareholder of juristic person shareholders is a juristic person shareholders, the major shareholders of such juristic person shareholders

April 22,2019

Name of juristic person shareholders	Major shareholders of juristic person shareholders	Share ratio
National Development Fund , Executive Yuan	None(Governmental unit, not corporation organization)	-
Cathay Life Insurance Company, Ltd.	Cathay Financial Holdings Co., Ltd.	100.00%
Mega International Commercial Bank Co., Ltd.	Mega Financial Holding Company Ltd.	100.00%
CTBC Bank Co., Ltd.	CTBC Financial Holding Co.,Ltd.	100.00%
TransGlobe Life Insurance Inc.	Chongweiyi Co., Ltd.	100.00%
Evergreen Steel Corp. (Note 1)	Evergreen International Corporation.	30.26%
	EVA Airways.	9.42%
	Continental Engineering Corp.	6.33%

Evergreen Steel Corp. (Note 1)	Chang Guohua	6.17%
	Chang Guoming	6.17%
	Chang Guozheng	6.17%
	CHANG YUNG-FA FOUNDATION	6.17%
	Mingyu Investment Co., Ltd.	4.36%
	Wei Da Development Co., Ltd.	3.16%
	TSRC Corporation	3.00%
Shin Kong Life Insurance Co., Ltd.	Shin Kong Financial Holding Co., Ltd.	100.00%
China Life Insurance Co., Ltd.(Note 2)	China Development Financial Holding Corporation	25.33%
	KGI securities	9.63%
	Cathay Life Insurance	3.34%
	VIDEOLAND INC.	2.35%
	Singapore Government Investment Account entrusted to City Bank	1.73%
	New labor pension fund	1.34%
	Zhan Linglang	1.27%
	Norway Central Bank Investment Account entrusted to Citi (Taiwan) Commercial Bank	1.19%
	Saudi Arabian Central Bank Investment Account entrusted to U.S. Morgan Chase Bank Taipei Branch	1.13%
	Vanguard Emerging Markets Stock Index Fund Investment Account managed by Vanguard entrusted to U.S. Morgan Chase Bank Taipei Branch	1.08%
Taipei Fubon Commercial Bank Co., Ltd.	Fubon Financial Holding Co., Ltd.	100.00%
Ministry of Economics	None(Governmental unit, not corporation organization)	-
Northern Region Branch, National Property Administration, MOF	None(Governmental unit, not corporation organization)	-

Note 1: Based on the information of that company in April, 2018

Note 2: Based on the information of that company in April, 2019

(iv).The professional knowledge and independence of the directors and supervisors

Condition Name	Have more than five years of work experience and the following professional qualifications			Compliance with independence (Note)										The number of other public offering companies in which he/she serves as independent director
	Lecturer or above position in the relevant department of public or private colleges and universities required for the commercial, legal, financial, accounting or corporate business.	Judges, prosecutors, lawyers, accountants or other specialized professional and technical personnel who had passed national examination and obtained certificates	Work experience required for commercial, legal, financial, accounting or corporate business	1	2	3	4	5	6	7	8	9	10	
Lu Tianlin			✓				✓		✓	✓	✓	✓		-
Li Yuezong			✓	✓		✓	✓		✓	✓	✓	✓		-
Chen Jinming			✓	✓		✓	✓		✓	✓	✓	✓		-
Hsieh Hecheng			✓		✓	✓	✓	✓	✓	✓	✓	✓		-
Lu Junwei			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Xu Jisheng			✓	✓	✓	✓	✓		✓	✓	✓	✓		-
Zheng Suhua			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		-
Shi Guanyu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		-
Zheng Zhiyang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Ke Renwei		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Huang Shizhang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-

Note: If any member meets the following conditions during the two years prior to the election and during the term of office, please place a “*” in the space below each condition code.

- (1) Not an employee of the company or any of its affiliates.
- (2) Not a director or supervisor of the company or any of its affiliates. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under any other's name, in an aggregate amount of 1 percent or more of the total number of issued shares of the company or ranking in the top 10 in shareholding.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5 percent or more of the total number of issued shares of the company or ranks in the top 5 in shareholding.
- (6) Not a director, supervisor, managerial officer, or shareholder holding 5 percent or more of the shares, of a specified company or institution

that has a financial or business relationship with the company.

- (7) Not a professional individual who, or an owner, partner, director, supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, or accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof; provided that this restriction does not apply to remuneration committee members performing their official powers under Article 7 of “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter”.
- (8) Not a spouse of or are related within the second degree of kinship to other managers, the directors
- (9) Not any of the circumstances in the subparagraphs of Article 30 of the Company Act.
- (10) Not a director representing the agency or a juristic person or its representative based on Article 27 of the Company Act.

(v).General Manager, Assistant General Manager, Associates, Departments and Branches Officer Information

April 22, 2019

Title	Nationality	Name	Gender	Date of election (taking office)	Shares held		Shares held by spouse and minor children		Shares held under other's name		Main (education) experience	Position now concurrently served in other company	The manager is his/her spouse or a relative within the second degree of kinship		
					Shares	Ratio	Shares	Ratio	Shares	Ratio			Title	Name	Relation
Chairman and General Manager	ROC	Lu Tianlin	M	Nov..02,2016	362,000	0.301%	-	-	-	-	Master of Engineering, National Taiwan Ocean University The 6th National Non-Divisional Legislator of the Legislative Yuan Chairman of the Labor Committee of the Executive Yuan	Chairman of Taiwan Aerospace Corp. Director of Apex Flight Academy. Air Asia Company Ltd.(USA) Director、President None	None	None	None
Vice President Civil Aircraft Business Unit (Concurrent)	ROC	Lu Tianlin	M	Apr. 15, .2019			-	-	-	-			None	None	None
Vice President of Military Aircraft Business Unit	ROC	Chao Gaoen	M	Jan.01.2018	14,104	0.012%	-	-	-	-	Air Force Mechanical School, Mechanical Engineering Section Assistant Chief of Staff of Air Force Logistics Command Chief Specialist, Business Division, Air Asia Co., Ltd.	None	None	None	None
Vice President of Helicopter Aircraft Business Unit	ROC	Tsai Songling	M	Jan.01.2018	12,387	0.010%	21,000	0.017%	-	-	Master of Management, I-Shou University Director of Equipment Service Department, Army Aviation Base	None	None	None	None
Vice President	ROC	Gao Jinlan	F	Jan.01.2018	44,026	0.037%	-	-	-	-	Master of Finance, Golden Gate University, San Francisco, USA Director of Finance Division, Air Asia Co., Ltd.	Air Asia Company Ltd.(USA) Treasurer	None	None	None
Vice President	ROC	Tsui Renjun	M	Jan.01.2018	22,772	0.019%	-	-	-	-	Department of Applied Mathematics, Zhongzheng Institute of Technology Air Force F-16 Logistics Contact Officer Stationed in US	None	None	None	None
Vice President	ROC	Chao Jinxian	M	Jan.01.2018	13,029	0.011%	-	-	-	-	Department of Political Science, National Taiwan University Leader of Songshan Supplementary Management Team of Air Asia Co., Ltd.	Air Asia Company Ltd.(USA) Director、Secretary	None	None	None
Vice President	ROC	Li Zhonglin	M	Apr.15.2019	14,665	0.012%	-	-	-	-	Department of Business Administration, National Defense Management College Director of the Air Force Logistics Command Assistant General Manager, Business Division, Air Asia Co., Ltd.	None	None	None	None

iii. Remuneration paid during the most recent fiscal year to Directors, Supervisors, General Manager, Assistant General Manager

(i). Remuneration of Directors

Unit:NT\$ (K)

Title	Name	Remuneration of Directors								The ratio of total A, B, C and D to the net profit after tax		Relevant remuneration for concurrently serves as employee								The ratio of total A, B, C,D E, Fand G to the net profit after tax		Whether to receive the remuneration from the re-invested businesses other than subsidiary
		Wage(A)		Passion(B)		Director's bonus(C)		Business execution fee s(D)				Wage, award and special expenses, etc. (E)		Passion (F)		Employee's bonus(G)						
		This company	All companies in the financial report	This company	All companies in the financial report	This company	All companies in the financial report	This company	All companies in the financial report	This company	All companies in the financial report	This company	All companies in the financial report	This company		All companies in the financial report		This company	All companies in the financial report			
Chairman (Note 1)	Lu Tianlin	-	-	-	-	-	-	120	120	0.78%	0.78%	3,503	3,503	-	-	-	-	-	-	23.52%	23.52%	None
Director (Note 1)	Chen Jinming	-	-	-	-	-	-	120	120	0.78%	0.78%	-	-	-	-	-	-	-	-	0.78%	0.78%	None
Director (Note 1)	Shi Guanyu(Note 3)	-	-	-	-	-	-	67	67	0.43%	0.43%	-	-	-	-	-	-	-	-	0.43%	0.43%	None
Director (Note 1)	Hsieh Hecheng (Note 4)	-	-	-	-	-	-	100	100	0.65%	0.65%	648	648	-	-	-	-	-	-	4.86%	4.86%	None
Director (Note 1)	Liu Reichen (Note 5)	-	-	-	-	-	-	53	53	0.34%	0.34%	-	-	-	-	-	-	-	-	0.34%	0.34%	None
Director (Note 1)	Chang Jianyi (Note 6)	-	-	-	-	-	-	48	48	0.31%	0.31%	-	-	-	-	-	-	-	-	0.31%	0.31%	None
Director (Note 1)	Hung Jianpu (Note 7)	-	-	-	-	-	-	20	20	0.13%	0.13%	278	278	-	-	-	-	-	-	1.94%	1.94%	None
Director (Note 1)	Chou Chaoguo(Note 7)	-	-	-	-	-	-	20	20	0.13%	0.13%	-	-	-	-	-	-	-	-	0.13%	0.13%	None
Director (Note 1)	Xu Jisheng (Note 7)	-	-	-	-	-	-	37	37	0.24%	0.24%	-	-	-	-	-	-	-	-	0.24%	0.24%	None

Title	Name	Remuneration of Directors								The ratio of total A, B, C and D to the net profit after tax		Relevant remuneration for concurrently serves as employee								The ratio of total A, B, C,D E, F and G to the net profit after tax		Whether to receive the remuneration from the re-invested businesses other than subsidiary	
		Wage(A)		Passion(B)		Director's bonus(C)		Business execution fee s(D)				Wage, award and special expenses, etc. (E)		Passion (F)		Employee's bonus(G)							
		This company	All companies in the financial report	This company	All companies in the financial report	This company	All companies in the financial report	This company	All companies in the financial report	This company	All companies in the financial report	This company	All companies in the financial report	This company		All companies in the financial report		This company	All companies in the financial report				
2)	8)																						
Director (Note 2)	Zheng Suhua	-	-	-	-	-	-	120	120	0.78%	0.78%	-	-	-	-	-	-	-	-	0.78%	0.78%	None	
Director (Note 2)	Liao Huixing (Note 9)	-	-	-	-	-	-	80	80	0.52%	0.52%	-	-	-	-	-	-	-	-	0.52%	0.52%	None	
Director	Lu Junwei	-	-	-	-	-	-	120	120	0.78%	0.78%	-	-	-	-	-	-	-	-	0.78%	0.78%	None	
Independent Director	Huang Yinzhong(Not e 5)	160	160	-	-	-	-	-	-	1.04%	1.04%	-	-	-	-	-	-	-	-	1.04%	1.04%	None	
Independent Director	Chen JinJi(Not e 5)	160	160	-	-	-	-	-	-	1.04%	1.04%	-	-	-	-	-	-	-	-	1.04%	1.04%	None	
Independent Director	Ke Renwei	360	360	-	-	-	-	-	-	2.33%	2.33%	-	-	-	-	-	-	-	-	2.33%	2.33%	None	
Independent Director	Zheng Zhiyang(Note 3)	200	200	-	-	-	-	-	-	1.30%	1.30%	-	-	-	-	-	-	-	-	1.30%	1.30%	None	
Independent Director	Huang Shizhang (Note 3)	200	200	-	-	-	-	-	-	1.30%	1.30%	-	-	-	-	-	-	-	-	1.30%	1.30%	None	
Except as disclosed in the above table, the director of company provide service to all companies in the financial report (such as consultants who are not employees): None.																							

Note 1: Legal representative of Taiwan Aerospace Corp.

Note 4: Took office on Mar.1, 2018

Note 7: Resign on Mar.01, 2018

Note 2: Legal representative of Taiwan Sugar Cop.

Note 5: Resign on Jun.11, 2018

Note 8: Took office on Sep.10, 2018

Note 3: Took office on Jun 11, 2018

Note 6: Resign on Jul.25, 2018

Note 9: Resign on Sep.10, 2018

Note 10: On January 29, 2019, the board of directors decided to approve the payment of 2018 employees' bonus in cash for NT\$160 (K). The detail of proposed distribution amount for this year has not been approved, so the distribution amount is estimated according to the ratio of actual distribution amount last year.

Remuneration range of payment to each director of this company	Name of Director			
	Total amount of above 4 items (A+B+C+D)		Total amount of above 7 items (A+B+C+D+E+F+G)	
	This company	All companies in the financial report	This company	All companies in the financial report
Less than 2,000,000	Lu Tianlin, Chen Jinming, Shi Guanyu, Hsieh Hecheng, Liu Reicheng, Chang Jianyi, Hung Jianpu, Chou Chaoguo, Xu Jisheng, Zheng Suhua, Liao Huixing, Lu Junwei, Ke Renwei, Huang Shizhang, Zheng Zhiyang, Huang Yinzong, Chen JinJi		Chen Jinming, Shi Guanyu, Hsieh Hecheng, Liu Reicheng, Chang Jianyi, Hung Jianpu, Chou Chaoguo, Xu Jisheng, Zheng Suhua, Liao Huixing, Lu Junwei, Ke Renwei, Huang Shizhang, Zheng Zhiyang, Huang Yinzong, Chen JinJi	
2,000,000(included)~5,000,000(excluded)	-	-	Lu Tianlin	
5,000,000(included)~10,000,000(excluded)	-	-	-	-
10,000,000(included)~15,000,000(excluded)	-	-	-	-
15,000,000(included) ~30,000,000(excluded)	-	-	-	-
30,000,000(included)~50,000,000(excluded)	-	-	-	-
50,000,000(included)~100,000,000(excluded)	-	-	-	-
100,000,000 above	-	-	-	-
Total	17 persons		17 persons	

(ii).Remuneration of General Manager, Assistant General Manager

Unit: NT\$ (K)														
Title	Name	Wage(A)		Passion(B)		Award and special expenses, etc. (C)		Employee's bonus (D) (Note 2)				The ratio of total A, B, C and D to the net profit after tax		Whether to receive the remuneration from the re-invested businesses other than subsidiary
		This company	All companies in the financial report	This company	All companies in the financial report	This company	All companies in the financial report	This company		All companies in the financial report		This company	All companies in the financial report	
								Cash amount	Share amount	Cash amount	Share amount			
Chairman	Lu Tianlin	2,256	2,256	0	0	1,247	1,247	-	-	-	-	22.74%	22.74%	-
Vice President of Civil Aircraft Business Unit	Li Zhonglin	1,638	1,638	100	100	495	495	-	-	-	-	14.50%	14.50%	
Vice President of Military Aircraft Business Unit	Chao Gaoen	1,591	1,591	100	100	435	435	-	-	-	-	13.80%	13.80%	
Vice President of Helicopter Business Unit	Tsai Songling	1,591	1,591	96	96	235	235	-	-	-	-	12.48%	12.48%	
Vice President	Gao Jinlan	1,411	1,411	86	86	412	412	-	-	-	-	12.39%	12.39%	
Vice President	Tsui Renjun	1,411	1,411	86	86	212	212	-	-	-	-	11.10%	11.10%	
Vice President	Chao Jinxian	1,439	1,439	86	86	212	212	-	-	-	-	11.28%	11.28%	
On January 29, 2019, the board of directors decided to approve the payment of 2018 employees' bonus in cash for NT\$160 (K). The detail of proposed distribution amount for this year has not been approved, so the distribution amount is estimated according to the ratio of actual distribution amount last year.														

Remuneration range of payment to General Manager and each Assistant General Manager of this company	Name of General Manager and Assistant General Managers	
	This company	All companies in the financial report
Less than 2,000,000	Tsai Songling, Gao Jinlan, Tsui Renjun, Chao Jinxian	
2,000,000(included)~5,000,000(excluded)	Lu Tianlin, Chao Gaoen, Li Zhonglin	
5,000,000(included)~10,000,000(excluded)	-	-
10,000,000(included)~15,000,000(excluded)	-	-
15,000,000(included)~30,000,000(excluded)	-	-
30,000,000(included)~50,000,000(excluded)	-	-
50,000,000(included)~100,000,000(excluded)	-	-
100,000,000 above	-	-
Total	7 Persons	

(iii).The name of managers who participate in the distribution of employees' bonus and the distribution situation

April 22, 2019

Unit NT\$ (K)

	Title	Name	Cash amount	Share amount	Total	The ratio of total to the net profit after tax (%)
Managers	General Manager	Lu Tianlin	-	1	1	0.00%
	Vice President Civil Aircraft Business Unit (Concurrent)	Lu Tianlin				
	Vice President of Military Aircraft Business Unit	Chao Gaoen				
	Vice President of Helicopter Business Unit	Tsai Songling				
	Vice President	Li Zhonglin				
	Vice President	Gao Jinlan				
	Vice President	Tsui Renjun				
	Vice President	Chao Jinxian				

On January 29, 2019, the board of directors decided to approve the payment of 2018 employees' bonus in cash for NT\$160 (K). The detail of proposed distribution amount for this year has not been approved, so the distribution amount is estimated according to the ratio of actual distribution amount last year

(iv).Compare and analyze the total remuneration as a percentage of net income stated in the parent company only financial reports or individual financial reports, paid by this company and by all consolidated entities (including this company) for the most recent 2 fiscal years to each of this company's directors, supervisors, general managers, and assistant general managers, and describe the policies, standards, and packages for payment of remuneration, the procedures for determining remuneration, and its linkage to business performance and future risk exposure.

1. Analysis of the total remuneration as a percentage of net income stated in the parent company only financial reports or individual

financial reports, paid by this company and by all consolidated entities (including this company) for the most recent 2 fiscal years to each of this company's directors, supervisors, general managers, and assistant general managers

Unit NT\$ (K)

Title	2017			2018		
	Total remuneration	Net income	Percentage	Total remuneration	Net income	Percentage
Director	5,663	123,393	4.59%	1,985	15,405	12.89%
general managers, and assistant general managers	4,012		3.25%	15,140		98.28%
Total	9,675	123,393	7.84%	17,125	15,405	111.17%

Note: The Company established the Audit Committee on December 17, 2012 to replace the supervisor's authority, so there is no supervisor's remuneration.

2. Policies, standards, and packages for payment of remuneration, the procedures for determining remuneration, and its linkage to business performance and future risk exposure.

The remuneration of the Company's Chairman, Directors and Independent Directors is governed by the Company's Articles of Association and the Company's "Regulations Governing the Remuneration of Directors and Managers" ; The remuneration of General Manager is governed by the Company's "Regulations Governing the Remuneration of Directors and Managers" The amount of the remuneration of the managers of the company other than the General Manager, shall take into account the general pay levels in the industry, the time spent by the individual and their responsibilities, the extent of goal achievement, their performance in other positions, and the compensation paid to employees holding equivalent positions in recent years. Also to be evaluated are the reasonableness of the correlation between the individual's performance and this company's operational performance and future risk exposure, with respect to the achievement of short-term and long-term business goals and the financial position of this company, then the Remuneration Committee shall review the result according to the "Regulations Governing the Remuneration of Directors and Managers" and submit it to for the

resolution of Board of Directors.

iv. Corporate Governance Status

(i). Operation Status of Board of Directors

The board of directors has held 6 meetings in the most recent year, the attendance of the directors is as follows:

Title	Name	Actual attendance (sit in) to meeting	Attendance by proxy	Actual attendance to meeting (%)	Remake
Chairman	Lu Tianlin (Note 1)	6	0	100%	Re-elected, shall attend 6 times
Director	Chen Jinming (Note 1)	4	2	67%	Re-elected, shall attend 6 times
Director	Chou Chaoguo (Note 1)	1	0	100%	Dismissed on Mar.01.2018, shall attend 1 time
Director	Hsieh Hecheng (Note 1)	5	0	100%	Elected on on Mar.01.2018, shall attend 5 times
Director	Hung Jianpu (Note 1)	0	0	0%	Dismissed on Mar.01.2018, shall attend 1 time
Director	Chang Jianyi (Note 1)	2	0	67%	Dismissed on Jul.25,2018, shall attend 3 times
Director	Liu Reicheng (Note 1)	0	3	0%	Expired on Jun.11.2018, shall attend 3 times
Director	Shi Guanyu (Note 1)	3	0	100%	Elected on Jun.11.2018, shall attend 3 times
Director	Liao Huixing (Note 2)	4	0	80%	Dismissed on Sep.10..2018, shall attend 5 times
Director	Zheng Suhua (Note 2)	4	2	67%	Re-elected, shall attend 6 times
Director	Xu Jisheng (Note 2)	1	0	100%	Elected on Sep.10.2018, shall attend 1 time
Director	Lu Junwei	4	2	67%	Re-elected, shall attend 6 times
Independent Director	Huang Yinzong	3	0	100%	Expired on Jun.11.2018, shall attend 3 times
Independent Director	Chen JinJi	2	1	67%	Expired on Jun.11.2018, shall attend 3 times
Independent Director	Ke Renwei	6	0	100%	Re-elected, shall attend 6 times
Independent Director	Zheng Zhiyang	3	0	100%	Elected on Jun.11.2018, shall attend 3 times
Independent Director	Huang Shizhang	3	0	100%	Elected on Jun.11.2018, shall attend 3 times

Other items to be recorded:

- I. The board of directors shall state the board meeting's date, period, content of the proposal, and the opinions of all independent directors and the company's treatment on the independent director's opinion if any of the following circumstances occurs.
 - (i). Matters listed in Article 14-1 of the Securities and Exchange Act
The Company has set up the Audit Committee according to law, in accordance with Paragraph1, Article 14-5 of the Securities and Exchange Act, the regulation of Article 14-3 of the same act is not applicable.
 - (ii). Except the foregoing matters, other resolution of board of directors on which an independent director has a dissenting or qualified opinion which is on record or stated in a written statement.
The independent directors of this company have no dissenting or qualified opinion on various proposals of the meetings of Board of Directors in 2018.

- II. For the Director's recusal to the proposal with interest, the name of the director, the content of the proposal, the reasons for recusal and the participation in the voting shall be stated
- (i). The 22nd Board of Directors' meeting of the 7th Session on January 23, 2018
 - 1.Name of director: Chairman, Lu Tianlin
 - 2.Content of the proposal: Amendment of "Regulations Governing the Remuneration of Directors and Managers"
 - 3.Reasons for recusal and the participation in the voting
Chairman Lu Tianlin left the meeting due to conflict of interest and avoided the discussion and resolution. The version of proposal revised by the remuneration committee and director Chou was unanimously approved by the all attending directors and acted directors.
 - (ii).The 22nd Board of Directors' meeting of the 7th Session on January 23, 2018
 - 1.Name of director: Chairman, Lu Tianlin
 - 2.Content of the proposal: Discussion of the general manager incentive bonus proposal for the listing plan
 - 3.Reasons for recusal and the participation in the voting
Chairman Lu Tianlin left the meeting due to conflict of interest and avoided the discussion and resolution. The proposal as proposed was unanimously approved by the all attending directors and acted directors.
 - (iii).The 22nd Board of Directors' meeting of the 7th Session on January 23, 2018
 - 1.Name of director: Chairman, Lu Tianlin
 - 2.Content of the proposal: Discussion of the general manager and managers incentive bonus proposal for "New contract in Air Force Second Logistics Command Military Factory Delegating Private Operation Project (EC07001L001)".
 - 3.Reasons for recusal and the participation in the voting
Chairman Lu Tianlin left the meeting due to conflict of interest and avoided the discussion and resolution. The proposal of general manager incentive bonus was unanimously approved by the all attending directors and acted directors.
 - (1) Chairman Lu Tianlin left the meeting due to conflict of interest and avoided the discussion and resolution. The proposal of incentive bonus to general manager Lu Tianlin was unanimously approved by the all attending directors and acted directors.
 - (2) The proposal of incentive bonus to managers was unanimously approved by the all attending directors and acted directors.
 - (3) Accompanying decision: Director Liao asked AirAsia to provide a written report of the case to Taiwan Sugar Corporation.
 - (iv).The 22nd Board of Directors' meeting of the 7th Session on January 23, 2018
 - 1.Name of director: Chairman, Lu Tianlin
 - 2.Content of the proposal: Discussion of 2017 general manager and managers year-end bonus
 - 3.Reasons for recusal and the participation in the voting
Chairman Lu Tianlin left the meeting due to conflict of interest and avoided the discussion and resolution. The proposal of year bonus to general manager Lu Tianlin was unanimously approved by the all attending directors and acted directors.
 - (1) Chairman Lu Tianlin left the meeting due to conflict of interest and avoided the discussion and resolution. The proposal of year-end bonus to Chairman Lu Tianlin was unanimously approved by the all attending directors and acted directors.
 - (2) The proposal of year-end bouns to managers was unanimously approved by the all attending directors and acted directors.
 - (3) Director Chou proposed to add the description of proposal in order to make the proposal complete.
 - (v). The 22nd Board of Directors' meeting of the 7th Session on January 23, 2018
 - 1.Name of director: Chairman, Lu Tianlin
 - 2.Content of the proposal: Discussion of proposal of distributed share amount to managers of this company from the amount granted to employees for subscription by 2017 capital increase.
 - 3.Reasons for recusal and the participation in the voting
Chairman Lu Tianlin left the meeting due to conflict of interest and avoided the discussion and resolution. The proposal as proposed was unanimously approved by the all attending directors and acted directors.
 - (1) Chairman Lu Tianlin left the meeting due to conflict of interest and avoided the discussion and resolution. The amount distributed to Chairman Lu Tianlin from amount granted to employees for subscription was unanimously approved by the all attending directors and acted directors.

	(2) The amount distributed to managers of this company from the amount granted to employees for subscription was unanimously approved by the all attending directors and acted directors. (vi). The 2nd Board of Directors' meeting of the 8th Session on August 10, 2018 1.Name of director: Chairman, Lu Tianlin 2.Content of the proposal: Discussion of detail of 2017 employees' remuneration to managers. 3.Reasons for recusal and the participation in the voting Chairman Lu Tianlin left the meeting due to conflict of interest and avoided the discussion and resolution. The proposal as proposed was unanimously approved by the all attending directors and acted directors. (vii).The 2nd Board of Directors' meeting of the 8th Session on August 10, 2018 1.Name of director: Chairman, Lu Tianlin 2.Content of the proposal: Amendment of "Regulations Governing the Remuneration of Directors and Managers" 3.Reasons for recusal and the participation in the voting Chairman Lu Tianlin left the meeting due to conflict of interest and avoided the discussion and resolution. The proposal as proposed was unanimously approved by the all attending directors and acted directors.
III.	The objectives of strengthening the functions of the Board of Directors in the current and most recent years (such as setting up an audit committee, improving information transparency, etc.) and performance assessment (i). The Company has established an audit committee and a remuneration committee. It has also designated a special person to be responsible for the online reporting of public information, and to handle the collection and disclosure of company information to ensure that information that may affect the decision-making of shareholders and stakeholders can be promptly disclosed. (ii). The company has established the Regulation Governing the Performance Assessment of Board of Directors" and the assessment methods. (iii).The Company arranges directors' refresher courses to enable directors and supervisors to conveniently obtain relevant information to maintain their core values and professional strengths and capabilities. All directors of the company in 2018 have completed 12-hour refresher courses.

Note 1: The legal representative of Taiwan Aerospace Corp.

Note 2: The legal representative of Taiwan Sugar Cop.

(ii).Operation Status of Audit Committee

The audit committee of the company consists of three independent directors. The audit committee is designed to assist the board of directors in fulfilling the quality and integrity of the company in supervising the accounting, auditing, financial reporting process and financial control. The main considerations include auditing of financial statements and accounting policies and procedures, internal control systems and related policies and procedures, raising funds or issuing securities, legal compliance, information security, corporate risk management, qualifications, independence and performance assessment of CPA, appointment, dismissal or remuneration of CPA and self-assessment questionnaire of audit committee assessment appraisal

The Audit Committee has held 6 meetings in the most recent year, the attendance of the independent directors is as follows:

Title	Name	Actual attendance to meeting	Attendance by proxy	Actual attendance (sit in) meeting (%)	Remake
Independent Directors	Chen JinJi	3	0	100%	Expired on Jun.11.2018, shall attend 3 times
	Huang Yinzhang	3	0	100%	Expired on Jun.11.2018, shall attend 3 times
	Ke Renwei	6	0	100%	Re-elected, shall attend 6 times
	Zheng Zhiyang	3	0	100%	Elected on Jun.11.2018, shall attend 3 times
	Huang Shizhang	3	0	100%	Elected on Jun.11.2018, shall attend 3 times

Other items to be recorded:

I. The operation of the Audit Committee shall state the board meeting's date, period, content of the proposal, resolution of Audit Committee and the company's opinion on resolution of Audit Committee if any of the following circumstances occurs.

(i).Matters listed in Article 14-5 of the Securities and Exchange Act

1.The 22nd Board of Directors' meeting of the 7th Session on January 23, 2018, reviewed the proposal of amended "Regulations Governing the Acquisition and Disposal of Assets" of this company. After review of the 15th Audit Committee meeting of the 2nd Session on January 23, 2018, the proposal as proposed was unanimously approved by the all attending independent directors and acted independent directors. The treatment of this company to the opinion of audit committee: none. Resolution of board of directors: the proposal as proposed was unanimously approved by the all attending directors and acted directors.

2.The 22nd Board of Directors' meeting of the 7th Session on January 23, 2018, reviewed the proposal of the initial listing of the company's shares for capital increase, set the minimum underwriting price for the auction, the price of the new shares and the base date for the capital increase. After review of the 15th Audit Committee meeting of the 2nd Session on January 23, 2018, all attending independent directors unanimously agreed that the underwriting price in this proposal and the current transaction price of the stock market price are quite different; therefore, they expressed that they will not make the resolution and the proposal will be directly submitted to the board of directors for discussion; the proposal as proposed was unanimously approved by the remaining attending directors. The treatment of this company to the opinion of audit committee: none. Resolution of board of directors: the proposal as

- proposed was unanimously approved by the all attending directors and acted directors.
3. The 22nd Board of Directors' meeting of the 7th Session on January 23, 2018, reviewed the proposal of appointment and remuneration of this company's CPA. After review of the 15th Audit Committee meeting of the 2nd Session on January 23, 2018, the proposal as proposed was unanimously approved by the all attending independent directors. In addition, the independent director Chen proposed that AirAsia shall invite each and every independent directors to participate in the selection team when the new accountant is appointed. The treatment of this company to the opinion of audit committee: none. Resolution of board of directors: the proposal as proposed was unanimously approved by the all attending directors and acted directors based on the revised version of audit committee and the undertaking unit was authorized for price negotiation with the Ernst & Young.
 4. The 23rd Board of Directors' meeting of the 7th Session on March 21, 2018, reviewed the proposal of this company's 2017 "Internal control statement". After review of the 16th Audit Committee meeting of the 2nd Session on March 21, 2018, the proposal as proposed was unanimously approved by the all attending independent directors. The treatment of this company to the opinion of audit committee: none. Resolution of board of directors: the proposal as proposed was unanimously approved by the all attending directors and acted directors.
 5. The 23rd Board of Directors' meeting of the 7th Session on March 21, 2018, reviewed the proposal of this company's 2017 Business report, financial statements and consolidated financial statements. After review of the 16th Audit Committee meeting of the 2nd Session on March 21, 2018, the proposal as proposed was unanimously approved by the all attending independent directors. The treatment of this company to the opinion of audit committee: none. Resolution of board of directors: the proposal as proposed was unanimously approved by the all attending directors and acted directors.
 6. The 24th Board of Directors' meeting of the 7th Session on April 27, 2018, reviewed the proposal of this company's amended "Regulations Governing the Acquisition and Disposal of Assets". After review of the 17th Audit Committee meeting of the 2nd Session on April 27, 2018, the proposal as proposed was unanimously approved by the all attending independent directors. The treatment of this company to the opinion of audit committee: none. Resolution of board of directors: the proposal as proposed was unanimously approved by the all attending directors and acted directors.
 7. The 2nd Board of Directors' meeting of the 8th Session on August 10, 2018, reviewed the proposal of this company's consolidated financial report for the first half of 2018. After review of the 2nd Audit Committee meeting of the 3rd Session on August 10, 2018, the proposal as proposed was unanimously approved by the all attending independent directors. The treatment of this company to the opinion of audit committee: none. Resolution of board of directors: Reported to the board of directors in accordance with Article 36 of the Securities and Exchange Act.
 8. The 2nd Board of Directors' meeting of the 8th Session on August 10, 2018, reviewed the proposal of this company's amended "Internal control system". After review of the 2nd Audit Committee meeting of the 3rd Session on August 10, 2018, the proposal as proposed was unanimously approved by the all attending independent directors. The treatment of this company to the opinion of audit committee: none. Resolution of board of directors: the proposal as proposed was unanimously approved by the all attending directors and acted directors.
 9. The 3rd Board of Directors' meeting of the 8th Session on November 7, 2018, reviewed the proposal of this company's 2019 annual audit plan. After review of the 3rd Audit Committee meeting of the 3rd Session on November 7, 2018, the proposal as proposed was unanimously approved by the all attending independent directors. The treatment of this company to the opinion of audit committee: none. Resolution of board of directors: the proposal as proposed was unanimously approved by the all attending directors.
- (ii). Except the foregoing matters, other resolution not be approved by the audit committee but approved by more than two-thirds of all directors: None.
- II. For the Independent Director's recusal to the proposal with interest, the name of the independent director, the content of the proposal, the reasons for recusal and the participation in the voting shall be stated: none.
 - III. Communication between independent directors and internal audit supervisors and CPA (shall include important matters, methods and results of communication on the company's financial and business conditions)
 - (i). The audit supervisor submits an audit report to the independent directors in the month following the completion of the audit items. The independent directors have no objections.
 - (ii). The independent director has no objection to the audit report of the audit supervisor.
 - (iii). The audit supervisor will report the audit plan for the next year before the end of each fiscal year, and report it to the board of directors for resolution after being approved by the audit committee.
 - (iv). The Company has provided contact telephone numbers and email addresses between independent directors (members of the Audit Committee) and internal audit supervisors for direct contact and communication each other. The audit supervisors of the company shall sit in each audit report of the board of directors and consult the independent directors (members of the audit committee).
 - (v). The company's annual internal control effectiveness assessment and internal control statement shall be submitted to

the Audit Committee for review.

- (vi). The annual financial report and semi-annual financial report of the company shall be submitted to the board of directors for resolution after approval by more than one-half of all members of the audit committee. Prior to the review of the financial report, the Audit Committee will discuss and communicate with the CPA in advance about the results of the audit.

(iii).The Difference Situation and Reason between Corporate Governance Operation Situation and Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies

Evaluation items	Operation situation			The Difference Situation and Reason to Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Y	N	Summary	
一、Does this company promulgate and disclose its own Rules for Corporate Governance Practice according to the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and review the implementation effectiveness??	V		This company has promulgated "Rules for Corporate Governance Practice" and disclose it on the Market Observation Pose System and the website of this company.	No significant difference
二、Company shareholding structure and shareholders' equity				No significant difference
(一) Does the company have an internal operating procedure to deal with shareholder's suggestions, doubts, disputes and litigation matters, and implement it according to procedures?	V		(一) The company has a spokesperson and agency spokesperson system to properly handle issues such as shareholder's suggestions, doubts, disputes, etc., it it involves in litigation matters, all of them shall be handled by hired legal counsel.	
(二) Does this company retain a register of major shareholders who own a relatively high percentage of shares and have controlling power, and of the persons with ultimate control over those major shareholders	V		(二) We have good relationship with major shareholders and may retain a register of major shareholders who own a relatively high percentage of shares and have controlling power, and of the persons with ultimate control over those major shareholders, and report the shared held by directors, supervisors and major shareholders according to the regulation of the Securities and Exchange Act.	
(三) Does the company establish, implement, and manage risk management and firewall mechanisms between affiliated enterprises?	V		(三) The Company has established the "Regulations on the Management of Group enterprises, Specific Companies and stakeholders" and other internal control and internal audit rules for supervising the subsidiaries.	
(四) Does the company have internal regulations that prohibit insiders from using information not unpublished in the market to buy and sell securities?	V		(四) The company regularly evaluates the independence and competence of CPA and submits it to the board of directors on Jan.29.2019 for deliberation and approval. The CPA firm also issued an "independence statement".	
三、Composition and duties of the board of directors				No significant difference
(一) Does the formation of board of directors come from a diversified policy and such policy has been implement?	V		(一) In considering the list of 11 member in 8th session of board of directors, in addition to one female member, it also include one labor director - Hsieh Hecheng, he is also the chairman of the union. The chairman of this company, Lu Tianlin, excels at leadership,	

Evaluation items	Operation situation			The Difference Situation and Reason to Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Y	N	Summary	
(二) Does the company voluntarily set up other functional committees besides setting up the remuneration committee and the audit committee according to law? (三) Does the company have a board performance assessment method and its assessment method, and conduct performance assessment every year and regularly? (四) Does the company regularly assess the independence of visa accountants?	V		operational judgment, management, crisis management and professional industry knowledge and international market outlook; directors who focus on labor-related areas over a long-term time are Zheng Suhua and Li Yuezong; directors who are with backgrounds in economics and finance are Shi Guanyu and Lu Junwei; director Xu Jisheng is the CEO, Oil products business of Taiwan Sugar Corp. ; as for three independent directors Zheng Zhiyang, Ke Renwei and Huang Shizhang are respectively attorney at law, accountant and Vice President of Chung-Hua Institution for Economic Research; further, director Chen Jinming is the President of Metal Industries Research & Development Centre, he focuses on light metal research and national aerospace industry, which has substantial help for this company's business development. The director who is an employee accounts for 9% of all directors, and independent directors account for 27%; female director accounts for 9%. The seniority of three independent directors are less than 3 years. No director is over 70 years old; 4 are at 60~69 years old; 7 are under 60 years. The diversification of the board of directors is also disclosed on the company's official website. (二) The Company has set up an audit committee and a remuneration committee. In the future, other functional committees will be added depending on the company's operating conditions and related laws and regulations. (三) The company has established a performance assessment method for the board of directors and its assessment methods, and conducts performance assessment on a regular basis every year. (四) The company regularly evaluates the independence and competence of CPA and submits it to the board of directors on Jan 29, 2019 for deliberation and approval. The CPA firm also issued an "Independence Statement".	
四、Whether the TWSE/TPEX Listed Companies has set up a corporate governance designated (part-time) unit or personnel responsible for corporate governance related matters (including but not limited to providing information required by directors and supervisors to conduct business, handling matters related to the board of directors' and shareholders' meeting, handling company registration and change registration, production of meeting minutes of the board of	V		The company has appointed a designated person in chairman's office responsible for the implementation of corporate governance related business.	No significant difference

Evaluation items	Operation situation			The Difference Situation and Reason to Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Y	N	Summary	
directors' and shareholders' meeting, etc.)?				
五、Does the company establish communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers), set up stakeholder areas on the company's website, and respond appropriately to important corporate social responsibility issues that stakeholders concern?	V		The company has a spokesperson and its agent system. It discloses the contact telephone number of the spokesperson at the MOPS. It also has a smooth communication channel for employees and exposes relevant information on the website of the TWSE to ensure that stakeholders have sufficient information for their judgement in protection of their rights and interests.	No significant difference
六、Does the company appoint a professional stock agency to handle the affairs of the shareholders' meeting?	V		The company has appointed a professional stock agency to handle the affairs of the shareholders' meeting.	No significant difference
七、Disclosure of information (一) Does the company set up a website to expose financial business and corporate governance information? (二) Does the company adopt other methods of information disclosure (such as setting up an English website, designating a person to be responsible for collecting and exposing company information, implementing a spokesperson system, and placing the process of institutional investor conferences on the company's website)?	V V		(一) The website of this company: http://www.airasia.com.tw ; Further, the other relevant information is uniformly published in the MOPS. (二) The company has a designated person responsible for exposing the collection of information and implementing the spokesperson system.	No significant difference
八、Does the company have other important information that helps to understand the operation of corporate governance (including but not limited to employee's rights, care for employees, investor relations, supplier relations, stakeholder rights, directors' and supervisors' in-service training, , implementation of risk management policies and risk metrics, implementation of customer policies, company's purchase of liability insurance for directors and supervisors, etc.)?	V		(一) Employee's rights: The company attaches great importance to the rights and interests of employees and strives for a harmonious labor-management relationship. In addition to regular labor-management meetings, the company sends representatives to participate in the board of directors' or supervisors' meeting and labor-management meetings convened by the union, and fully communicates with the labor representatives; on major labor issues, the company will first to listen to union's opinions, in order to reach a consensus, to ensure the harmonious relationship between labor and management and to reach the sustainable development of enterprises. (二) Care for employees For employee welfare measures, please refer to the description of "Labour Relations" on page 100~102 of this annual report. (三) Investor relations The Company will promptly announce relevant information on the website of the MOPS in accordance with relevant regulations. The company also has a spokesperson, an acting spokesperson and	No significant difference (to next page)

Evaluation items	Operation situation			The Difference Situation and Reason to Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Y	N	Summary	
			stock affair specialists to answer the questions of the company at any time to maintain the good relationship with investors. (四) Supplier relations: For the company's procurement and contract operations, the main spirit is to create a fair competition field, looking for good manufacturers, in order to purchase at a reasonable price. (五) Stakeholder rights In addition to continually improving our skill and capability, this company also pursues good business performance and strives to achieve the mission of "care for employees, serve customers, and feedback to shareholders". Therefore, it has a promise for proper care shareholder, customers, suppliers, employees and society. (六) Director and supervisor's training situation: The directors and independent directors of the Company have professional background and experience in management practices, and regularly arrange appropriate refresher courses for directors and make them publicly available at MOPS. (七) Implementation of risk management policies and risk metrics: The company's internal control system and management rules for major businesses have been resolved by the board of directors or the shareholders' meeting. (八) Implementation of customer policies: The company adheres to the principle of good faith operation, maintains a good supply relationship with customers, strengthens contact with customers, and properly arranges the entry schedule and delivery schedule of customers' aircraft, engines and components. (九) Company's purchase of liability insurance for directors and supervisors: The directors of the company exercise their powers in accordance with the law during their term of office and this company has purchase liability insurance for all directors.	
九、Please explain the improvement of the company's corporate governance assessment results released by the Corporate Governance Center of the Taiwan Stock Exchange Co., Ltd. in the past years, and propose priorities and measures for those who have not yet improved (companies not in the list to be assessed may be exempted from this item): this company is not in the list to be assessed.				

(iv).Remuneration Committee

1.Members of remuneration committee

Type of identity (Note 1)	Name	Have more than five years of work experience and the following professional qualifications			Compliance with independence (Note 2)								The number of other public offering companies in which he/she serves as members of remuneration committee	Remark
		Lecturer or above position in the relevant department of public or private colleges and universities required for the commercial, legal, financial, accounting or corporate business.	Judges, prosecutors, lawyers, accountants or other specialized professional and technical personnel who had passed national examination and obtained certificates	Work experience required for commercial, legal, financial, accounting or corporate business	1	2	3	4	5	6	7	8		
Independent director	Huang Yinzhong	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	1	Note 3
Independent director	Chen Jinji	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	1	Note 3
Independent director	Ke Renwei		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent director	Zheng Zhiyang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Note 3
Independent director	Huang Shizhang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Note 3

Note1: Please fill in director, independent director or other in the column of Type of identity.

Note2 : If any director or supervisor meets the following conditions during the two years prior to the election and during the

term of office, please place a “✓” in the space below each condition code.

- (1) Not an employee of the company or any of its affiliates
- (2) Not a director or supervisor of the company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under any other's name, in an aggregate amount of 1 percent or more of the total number of issued shares of the company or ranking in the top 10 in shareholding.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5 percent or more of the total number of issued shares of the company or ranks in the top 5 in shareholding.
- (6) Not a director, supervisor, managerial officer, or shareholder holding 5 percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.
- (7) Not a professional individual who, or an owner, partner, director, supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, or accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof.
- (8) Not any of the circumstances in the subparagraphs of Article 30 of the Company Act.

Note 3: The terms of independent Huang Yinzong and Chen JinJi were expired on June 11, 2018. After by-election in the shareholders' meeting on June 11, 2018, Mr. Zheng Zhiyang and Huang Shizhang were elected as independent directors. On the same date, they were appointed by the board of directors as member of remuneration committee, their terms of office are as the same with this session.

2. Remuneration Committee Operation Information

(1) There are 3 members in the remuneration committee of this company.

(2) Term of members in this session: June 11, 2018 to June 10, 2021.
There were 6 meetings in the most recent year. The qualifications and attendance of the members are as follows:

Title	Name	Actual attendance (sit in) to meeting	Attendance by proxy	Actual attendance to meeting (%)	Remark
Convener	Huang Yinzong	3	0	100%	Dismissed on Jun.11.2018, shall attend 3 times
Member	Chen Jinji	3	0	100%	Dismissed on Jun.11.2018, shall attend 3 times
Convener	Ke Renwei	6	0	100%	Re-elected, shall attend 6 times
Member	Zheng Zhiyang	3	0	100%	Elected on Jun.11.2018, shall attend 3 times
Member	Huang Shizhang	3	0	100%	Elected on Jun.11.2018, shall attend 3 times
Other items to be recorded:					
一、The board of directors shall state the board meeting's date, period, content of the proposal, the resolution of the board of director and the company's treatment of remuneration committee's opinion, if the board of director refuses or amends the proposal of remuneration committee (for example, the wage remuneration determined by board of directors is better the proposal of remuneration committee the difference and reason shall be clearly stated): None.					
二、The remuneration committee shall state the remuneration committee's meeting date, period, content of the proposal, the resolution of the board of director and treatment to all member's opinion and opinions of all members if resolution of remuneration committee on which any member has a dissenting or qualified opinion which is on record or stated in a written statement: None.					

(v).Fulfilling social responsibility

Evaluation items	Operation situation			The Difference Situation and Reason to Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies
	Y	N	Summary	
一、Implementation of corporate Governance (一) Does this company promulgate and disclose its own "Rules for Corporate Social Responsibility Best Practice Principles" and review the implementation effectiveness? (二) Does the company regularly hold social responsibility education training? (三) Whether the company has set up a corporate social responsibility designated (part-time) unit or personnel? Is the board of directors authorized the senior management to handle and report the situation to the board of directors? (四) Does the company have a reasonable salary compensation policy, and combine the employee performance appraisal system with the corporate social responsibility policy, and establish a clear and effective reward and disciplinary system?	V		(一) In order to practicing corporate social responsibility, while pursuing sustainable management and profitability, this company attach importance to factors of environmental protection, social responsibility and corporate governance, and incorporate them into corporate management policies and operational activities, including signing group agreements with unions, conducting industry-university cooperation and internship programs, setting up green power plan such as solar energy generation. More relevant policies will be set in the future depending on the situation. (二) The company, on the basis of directors, managers and general employees as trainees, on July 19, 2018, entrusted Securities and Futures Institute to invite the Chairman Ernst & Young Foundation, Mr. Wang Jinlai to provide education training courses related to the sustainable development of the company, including social responsibility (三) The shareholders' meeting of the company is the highest authority of the company. Through Chairman's leading, the supervision and implementation of respective business by the board of directors, the general manager shall make respective business plans per the market situation and competition conditions and coordinate the departments. This company has promulgated "Rules for Corporate Social Responsibility Best Practice Principles", the designated (part-time) unit to promote corporate social responsibility is the Chairman's office, responsible for the presentation and implementation of corporate social responsibility policies, systems or related management policies and specific promotion plans, and will report to the board of directors regularly. (四) The company protects employees' rights and interests according to the Labor Standards Act and related laws and regulations. The company's personnel management system sets salary and bonus issuing operations, employee performance appraisal and reward and punishment operations. If the company's articles of association clearly indicate that there is profit in the current year, 1%~3% of it shall be set aside for employees' remuneration.	No significant difference
二、Developing a sustainable environment (一) Is the company committed to improving the efficiency of the use of resources and using recycled materials that have a low impact on the environmental load?	V		(一) In the spirit of "cherishing natural resources", we combine the core business of environmental protection with the trust of our customers to create the concept of "sustainable operation" and "reward the society", continue to implement waste reduction work, and allocate qualified personnels to perform waste management work. Taking into account the factors such as the interaction between the company's industrial characteristics and the environment, in the spirit of cradle to grave,	No significant difference

Evaluation items	Operation situation			The Difference Situation and Reason to Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies
	Y	N	Summary	
(二) Does the company establish a suitable environmental management system based on its industrial characteristics? (三) Does the company pay attention to the impact of climate change on operational activities, and implement greenhouse gases inventory, formulate corporate energy conservation/carbon reduction and greenhouse gas reduction strategies?	V		in the process of aircraft maintenance from the procurement of raw materials to the final aircraft delivery, the business waste can be fully managed, cleaned, treated and reused to effectively in order to prevent negative environmental impacts. (二) In order to alleviate the environmental impact caused by greenhouse gas emissions from the company's operations, the Company continued to promote energy-saving and carbon-reduction strategies to effectively reduce greenhouse gas emissions. Specific measures such as replacing energy-saving lamps, replacing old-type air-conditioning with energy-saving models, and setting up solar green Energy generation equipment and other measures. (三) The company adopts environmental protection policies, reduces waste, implements resource classification and recycling, and occasionally promotes energy saving measures in office and living areas.	
三、Maintain social welfare (一) Does the company formulate relevant management policies and procedures in accordance with relevant regulations and international human rights conventions? (二) Does the company establish an employee complaint mechanism and channel and handle it properly? (三) Does the company provide a safe and healthy working environment for employees and regularly implement safety and health education for employees? (四) Does the company establish a mechanism for regular employee communication and notify the operational changes that may have a significant impact on employees in a reasonable manner? (五) Does the company establish an effective career development training program for its employees?	V		(一) The company has established working rules and related personnel management regulations in accordance with the labor law regulations as the basis for company management. In order to establish a gender equality workplace, the company implements a system of parental leave without payment, and also provides family care leave and physique leave. In 2018, this company was elected as a good institution for labor-management harmony in Tainan City. (二) The company set up a union and held regular labor-management meetings to implement employee opinions. In order to facilitate employee to provide feedback and suggestions, this company provides employees with instant communication channels and "Employee Opinion Mailbox" (三) In accordance with the regulations, the company will warn or distribute protective equipment in an environment or facility with safety or occupational hazards, and regularly conduct employee health checks. In 2018, the Ministry of Health and Welfare awarded our Tainan Factory and Pingtung Factory the Certification of Healthy Workplace -Health Starting up Mark, and this company was awarded the Excellence Award by the Labor Bureau of Tainan City for the Safety-Health Family Performance Award. (四) The company set up a union and held regular labor-management meetings to promote important policies and understand employees' opinions on the company. Company news is posted on the company's internal website from time to time. (五) In order to cultivate high-quality manpower, improve the level of repair, this company sets up the staff training course, and organizes in-service training and cultivation for employees. In addition, the company has established industry-university cooperation and internship training programs with a	No significant difference

Evaluation items	Operation situation			The Difference Situation and Reason to Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies
	Y	N	Summary	
(六) Does the company develop relevant consumer protection policies and grievance procedures for research and development, procurement, production, operations and service processes? (七) Does the company comply with relevant regulations and international standards for marketing and labeling of products and services? (八) Before transaction with suppliers, Does company assess whether the supplier has a record of affecting the environment and society in the past? (九) Does the contract between the company and its major suppliers includes the doctrine that if the supplier violates its corporate social responsibility policies and it has significant environmental and social impacts, the contract may be terminated or cancelled at any time?	V		number of colleges and universities to help students quickly adapt to the working environment during the internship and effectively inherit the company's good culture. After the internship, the retention rate is 80%. (六) The company has established procedures and operating rules to protect consumer rights, and the relevant personnel will handle customer opinions and after-sales service. (七) The company's product repairs and services are subject to the relevant domestic laws and regulations and the provisions of the International Civil Aviation Administration. In 2018, the company was awarded the "AS9110" certification representing a certain quality management system standard to ensure flight safety and reliability. (八) Before transaction with suppliers, It will assess whether the supplier has a record of affecting the environment and society, and choose to trade with honest manufacturers who value social responsibility. (九) If the supplier of the company violates its corporate social responsibility and the environment polity and fails to improve after notice, this company may terminate or cancel the contract.	
四、Strengthen information disclosure Does the company disclose information about corporate social responsibility that is relevant and reliable on its website and its MOPS?	V		The implementation of corporate social responsibility by the company is handled in accordance with instructions of the competent authorities and relevant laws and regulations. The company has set up a corporate social responsibility zone on the website, and will disclose relevant information to the company's website and MOPS according to the actual operation situation.	No significant difference
五、If this company promulgate its own rules for corporate governance practice according to "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies", please describe the difference between its operation and these rules: In order to implement corporate social responsibility, the company has established "Rules for Corporate Governance Practice", and it will continue to implement and execute it with all colleagues of the company according to the norms and spirit of "Rules for Corporate Governance Practice". 六、Other important information that helps to understand the operation of corporate social responsibility: The company has set up a corporate social responsibility zone on the website, and will disclose relevant information to the company's website and MOPS in the future according to the actual operation situation. 七、If the company's corporate social responsibility report has passed the verification criteria of the relevant verification agency, it should be stated: The company has not yet prepared a corporate social responsibility report, and there has not been any matter verified by the relevant verification agency.				

(vi).The company's fulfillment of the integrity management situation and adopted measures

Evaluation items	Operation situation			The Difference Situation and Reason to Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Y	N	Summary	
一、Establishing integrity management policies and programs (一) Does the company express its commitment to integrity management policies and practices in its regulations and external documents, as well as the commitment of the board of directors and management to actively implement business policies? (二) Does the company have a plan to prevent dishonesty, and specify operating procedures, behavioral guidelines, disciplinary and grievance systems for violations in each program, and implement them? (三) Does the company adopt preventive measures for the situations in respective Subparagraphs in Paragraph 2, Article 7 of Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies or dishonest business operation with higher risk within the other business scope?	V		(一) In order to implement the integrity management policy and actively guard against dishonesty, the Company has established the "Ethical Corporate Management Best Practice Principles", "Integrity Operation Procedures and Conduct Guidelines" and "Ethical Code of Conducts" to specifically regulate the board of directors, management and all employees on matters to be aware of when performing business. (二) The Company has established the "Ethical Corporate Management Best Practice Principles", "Integrity Operation Procedures and Conduct Guidelines" and "Ethical Code of Conducts"; and there are operational procedures for preventing dishonesty, and employees will be trained and educated from time to time in the future. (三) The company's Ethical Corporate Management Best Practice Principle has adopt preventive measures for the situations in respective Subparagraphs in Paragraph 2, Article 7 of Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies or dishonest business operation with higher risk within the other business scope. And establish an effective accounting system and internal control system, review from time to time, and ensure that the implementation of the system continues to be effective.	No significant difference
二、Implementation of integrity operation (一) Does the company assess the integrity record of the person to whom it deals with, and specify the terms of good faith in its contract with the transaction partner? (二) Does the company set up a designated (part-time) unit that promotes corporate integrity management under the board of directors, and make it regularly report its implementation to the board of directors?	V		(一) In accordance with the "Ethical Corporate Management Best Practice Principle", of this company, the legality and credibility of business counterpart shall be taken into consideration, in order to avoid transactions with person with disciplinary records. And the in the relevant contract, the doctrine of integrity behaviors shall be specified. If the counterpart involves an act of dishonesty, the contract may be terminated or cancelled at any time. (二) In order to improve the management of integrity operation, Management Division of this company is responsible for the formulation of the integrity operation policy and prevention plan, and is supervised and implemented by the auditing unit and regularly reports to the board of directors.	No significant difference

Evaluation items	Operation situation			The Difference Situation and Reason to Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Y	N	Summary	
(三) Does the company have a policy to prevent conflicts of interest, provide a proper presentation channel, and implement it? (四) Has the company established an effective accounting system and internal control system for the implementation of integrity management, and is regularly checked by internal auditing units, or entrusted with CPAs to perform checks? (五) Does the company regularly hold internal or external education training of integrity management?	V		(三) This company has already promulgated the "Ethical Corporate Management Best Practice Principle", "Integrity Operation Procedures and Conduct Guidelines" and "Ethical Code of Conducts" to prevent conflicts of interest. The company will set up an investor zone, a corporate governance zone, a corporate social responsibility zone and a stakeholder zone on the company's website to facilitate the reference of shareholders and stakeholders, and will set up a stakeholder contact platform as a solution for stakeholders' communication channels for suggestions doubts and disputes to ensure the interests of stakeholders. (四) The Company has established an "Accounting System" and an "Internal Control System", and the Audit Department has established and implemented an annual audit plan in accordance with relevant regulations, and continues to track improvements to implement integrity management. (五) Through the departmental meeting, the company promotes to employees and make them understands the company's integrity management philosophy and norms.	
三、The operation status of company's whistle-blowing system (一) Does the company have a specific whistle-blowing and reward system, and establish a convenient reporting channel, and assign appropriate personnel to the person being accused? (二) Does the company set the investigation standard operating procedures and related confidentiality mechanisms for accepting the report?	V	V	(一) The company has a proper reporting channel for employees and related personnel to report any improper business practices, which are handled by the company management directly in person. Any violation of the company's ethical standards of employment will be severely punished according to the company's rules for rewards and punishments. (二) The company has a chairman's mailbox, a union's opinion mailbox and a designated personnel unit to handle employee's complaints. A reporter may report it by letters, emails and etc., and the designated person will handle it. The company's website has set up a stakeholder liaison platform as a communication channel for handling stakeholder's suggestions, doubts and disputes. In addition, the Company has also established the "Whistle-blowing System" in Personnel Handbook Chapter 9, the internal control system- personal management system in Section 9 and Ethical Code of Conducts to protect the reporter and regulate the confidentiality mechanisms and reward/punishment mechanisms, in order to ensure the stakeholders' right and interest. A rigorous reporting mechanism allows stakeholders to communicate messages in a safe and confidential manner.	No significant difference

Evaluation items	Operation situation			The Difference Situation and Reason to Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Y	N	Summary	
(三) Does the company take measures to protect the reporter from improper disposal due to the report?	V		(三) The company provides reporting channels and takes appropriate protective measures in accordance with the laws to maintain the personal data and privacy of the reporter in confidential.	
四、Strengthen information disclosure Does the company disclose its content of integrity management practices and promotion of effectiveness on its website and MOPS?	V		This company has disclosed relevant information on the MOPS. The company also set up website and the address is http://www.airasia.com.tw ; it includes corporate governance operation and disclose corporate governance operation status and company's important regulations, such as "Rules for Corporate Governance Practice", "Ethical Corporate Management Best Practice Principle" and "Integrity Operation Procedures and Conduct Guidelines".	No significant difference
五、If the company has established its own Ethical Corporate Management Best Practice Principle according to "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please state difference between its operation and the Principles: This company has established "Ethical Corporate Management Best Practice Principle", all company's operation comply with those Principles. No significant difference.				
六、Other important information that helps to understand the company's integrity management operations (such as the company's review and revision of its established Ethical Corporate Management Best Practice Principle): The Company will pay attention to the development of the relevant norms of domestic or foreign integrity management at all times, and encourage the directors, managers and employees to make suggestions to review and improve the company's integrity management policies and measures in to enhance the implementation of the company's integrity management. The company has also set up a corporate governance zone on the website, this company will disclose the actual operation situation and relevant information to the company's website and MOPS.				

(vii).If company has set up Rules for Corporate Governance Practice and relevant regulations, it should disclose its inquiry method: This company has set up the Rules for Corporate Governance Practice and relevant regulations and has disclosed it in the Corporate Governance zone on this company's website. In the future, relevant information will be disclosed on the company's website and MOPS according to the actual operation situation.

(viii).Other important information that is sufficient to enhance the understanding of the operation of corporate governance:

The majority of shareholders of this company are legal person re-invested by the government fund, and the chairman of the board is elected by legal representative of the relevant company. The main business items are maintenance and repair of military aircraft, civil aircraft and their spare parts. The successor of each business unit will take the outstanding chiefs or heads of respective factory or division as the talent reserve of managers, rotate them for different tasks in a timely manner in order to cultivate the ability to formulate strategies. At present, the company implements the agent system, and the agents of each level supervisor are assessed by the department supervisor; the advanced management courses for each department are scheduled to arrange advanced training courses from time to time, which mainly include human resources, professional competence and financial risks, management capabilities and other items.

The estimated period of each item is about 2~5 years. Through professional ability training, trainees may integrate and use what they learn to cultivate decision-making judgment ability.

(ix).Implementation status of Internal control system

1.Internal control system statement

Public Company internal control system statement

Indicates that both design and execution are effective

(This statement applies in compliance with laws and regulations when all laws and regulations are complied with)

Air Asia Co., Ltd
Internal control system statement

Date: March 20, 2019

For the Internal control system of this company in 2018, based on the results of self-assessment, hereby we declare as follows:

- 一、 The Company is aware that the establishment, implementation and maintenance of the internal control system is the responsibility of the board of directors and managers of the Company. The Company has established this system. The purpose is to reach the goals as providing reasonable results in terms of operational effectiveness and efficiency (including profitability, performance and asset security, etc.), report with reliability, timeliness and transparency and compliance with relevant laws and regulations, in order to provide reasonable assurance.
- 二、 The internal control system has its inherent limitations. Regardless of how well the design is perfected, an effective internal control system can only provide reasonable assurance of the achievement of the above three objectives. Moreover, due to changes in the environment and conditions, the effectiveness of the internal control system may change. Once any error is identified, the company will take correction action immediately.
- 三、 The company judges whether the design and implementation of the internal control system is effective based on the judgment items of the effectiveness of the internal control system as stipulated in the “Regulations Governing Establishment of Internal Control Systems by Public Companies” (hereinafter referred to as “RGECSPP”). The internal control system judgment items used in the “RGECSPP” is based on the process of management control, and the internal control system is divided into five components: 1. Control environment, 2. Risk assessment, 3. Control activities, 4. Information and communication, and 5. Monitoring activities. Each component also includes several items. Please refer to the “RGECSPP” for the above items.
- 四、 The Company has adopted the judgment items in the above internal control system to judge and evaluate the effectiveness of the design and implementation of the internal control system.
- 五、 Based on the results of the previous assessment, the Company believes that the company's internal control system (including supervision and management of subsidiaries) on December 31, 2018, including the understanding of the effectiveness and efficiency objectives of the operation, and reporting are reliable, timely and transparent. The design and implementation of the internal control system related to the compliance with relevant laws and regulations are effective and may reasonably ensure the achievement of the above objectives.
- 六、 This statement will become the main content of the company's annual report and public statement, and will be made public. If the content of the above disclosure is illegal or concealed, it will involve in legal liabilities such as Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
- 七、 This statement was approved by the board of directors of the company on March 21, 2018. Among the 11 directors, 0 dissented, and the rest agreed to the contents of this statement. Here we shall also express such situation.

Air Asia Co., Ltd

Chairmen:



Signature or stamp



General Manager:



Signature or stamp

2.If the company entrusted CPA to review the internal control system, it should disclose the CPA review report: None.

(x). In the most recent year and up to the print date of annual report, the punishment received by company and its internal personnel according to law, the punishment given by company to its internal personnel due to violation of regulations of internal control system, major defects and improvement situation: None.

(xi). In the most recent year and up to the print date of annual report, important resolutions of the shareholders' meeting and the board of directors

1.Important resolutions of the shareholders' meeting and implementation of them

Date	Important resolutions of the shareholders' meeting	Implementation
June 11,2018	Recognition	
	(1)Recognition of 2017 Business Report and Financial Statements	Handled in accordance with resolution
	(2)Recognition of the 2017 surplus distribution proposal	Allotment of shareholders' cash dividends of NT\$ 0.85 per share
	Discussion	
	(1)Proposal of capital reserve transferred to cash issuance is resolved	Allotment of shareholders' cash dividends of NT\$0.4 per share
	(2)Proposal of amendment of “Article of Association” of the company is resolved	Handled in accordance with resolution
	(3)Proposal of amendment of “Regulations Governing the Acquisition and Disposal of Assets” of the company is resolved	Handled in accordance with resolution
	(4)Proposal of amendment of “Director Selection Process” of the company is resolved	Handled in accordance with resolution
	(5)Proposal of amendment of “Rules for Shareholders' meeting” of the company is resolved	Handled in accordance with resolution
	(6) Selection of directors and independent directors	Handled in accordance with "Director Selection Process"

2.Important resolutions of board of directors

Date	Important resolutions of board of directors	Independent director holds dissenting or qualified opinion	Implementation
Jan/23/2018	(1)Proposal of “Recognition of credit line of financial institutions” is resolved	None	Handled in accordance with resolution
	(2)Proposal of amendment of “Regulations Governing the Acquisition and Disposal of Assets” of the company is resolved	None	Handled in accordance with resolution
	(3)Proposal of amendment of “Regulations Governing Remuneration of Directors and Managers” of the company is resolved	None	Handled in accordance with resolution
	(4) Proposal of “General manager incentive bonus proposal for the listing plan” is resolved	None	Handled in accordance with resolution
	(5)The general manager and managers incentive bonus proposal for “New contract in Air Force Second Logistics Command Military Factory Delegating Private Operation Project (EC07001L001)” is resolved.	None	Handled in accordance with resolution
	(6)Proposal of “2017 general manager and managers year-end bonus” is resolved	None	Handled in accordance with resolution
	(7)Proposal of “Remuneration of new managers” is resolved	None	Handled in accordance with resolution
	(8)Proposal of “The initial listing of the company's shares for capital increase, set the minimum underwriting price for the auction, the price of the new shares and the base date for the capital increase” is resolved	None	Handled in accordance with resolution
	(9)Proposal of “Appointment and remuneration of this company’s CPA”	None	Handled in accordance with

			resolution
Mar/21/2018	(1)Proposal of amendment of “Regulations governing employee’s stock subscription”	None	Handled in accordance with resolution
	(2)Proposal of “Recognition of credit line of financial institutions” is resolved	None	Handled in accordance with resolution
	(3)Proposal of “2017 Internal control statement” is resolved	None	Review completed and is published
	(4)Proposal of this company’s 2017 Business report, financial statements and consolidated financial statements” is resolved	None	Handled in accordance with resolution
	(5)Proposal of 2017 employee’s remuneration distribution is resolved	None	Handled in accordance with resolution
	(6)Proposal of 2017 surplus distribution is resolved	None	Handled in accordance with resolution
	(7)Proposal of capital reserve transferred to cash distribution is resolved	None	Handled in accordance with resolution
	(8)Proposal of new directors and independent directors is resolved	None	Handled in accordance with resolution
	(9)Proposal of “Relevant issues on acceptance of nominations for director candidates” is resolved	None	Handled in accordance with resolution
	(10)Proposal of convention of 2018 Shareholders’ meeting is resolved.	None	Handled in accordance with resolution
Apr/27/2018	(1)Proposal of “Recognition of credit line of financial institutions” is resolved	None	Handled in accordance with resolution
	(2)Proposal of amendment of “Rules for board of directors’ meeting” of the company is resolved	None	Handled in accordance with resolution
	(3)Proposal of amendment of “Article of Association” of the company is resolved	None	Handled in accordance with resolution

	(4)Proposal of amendment of “Regulations Governing the Acquisition and Disposal of Assets” of the company is resolved	None	Handled in accordance with resolution
	(5)Proposal of “Authorization to senior executives for supervision and control company's derivative commodity transactions” is resolved	None	Handled in accordance with resolution
	(6)Proposal of amendment of “Director Selection Process” of the company is resolved	None	Handled in accordance with resolution
	(7)Proposal of amendment of ”Rules for Shareholders' meeting” of the company is resolved	None	Handled in accordance with resolution
	(8)Proposal of “Audit committee organization procedures” is resolved	None	Handled in accordance with resolution
	(9)Proposal of amendment of “Operation of information report for taking (resigning) office of internal person” is resolved	None	Handled in accordance with resolution
	(10)Proposal of Director candidate review is resolved	None	Handled in accordance with resolution and published on Apr/27/2018
	(11)Proposal of “Relief of restriction on new director and his/her/its representative’s competition activity” is resolved	None	Handled in accordance with resolution
	(12)Proposal of amendment of “The 2018 shareholders' meeting agenda of the company” is resolved	None	Handled in accordance with resolution and published on Apr/27/2018
Jun/11/2018	(1)Chairman is elected	None	Handled change registration of company in accordance with resolution
	(2)Members of remuneration committee are appointed	None	Handled in accordance with

			resolution
Aug/10/2018	(1)Proposal of “Application of credit line of financial institutions” is resolved	None	Handled in accordance with resolution
	(2)Proposal of amendment of “Internal control system” resolved	None	Handled in accordance with resolution
	(3)Proposal of amendment of “Remuneration committee organization procedure” resolved	None	Handled in accordance with resolution
	(4)Proposal of amendment of “Audit committee organization procedures” is resolved	None	Handled in accordance with resolution
	(5)Proposal of “2017 Detail of employee’s remuneration for managers” is resolved	None	Handled in accordance with resolution
	(6)Proposal of amendment of “Regulations Governing the Remuneration of Directors and Managers” is resolved	None	Handled in accordance with resolution
	(7)Proposal of “2018 Working plan for remuneration committee” is resolved	None	Handled in accordance with resolution
Nov/07/2018	(1)Proposal of “Application of credit line of financial institutions” is resolved	None	Handled in accordance with resolution
	(2)Proposal of amendment of “Regulations Governing the Remuneration of Directors and Managers” is resolved	None	Handled in accordance with resolution
	(3)Proposal of “2019 Audit plan” is resolved	None	Handled in accordance with resolution
	(4)Proposal of “Repurchase of company’s shares” is resolved	None	Handled in accordance with resolution
Jan/29/2019	(1)Proposal of “Application of credit line of financial institutions” is resolved	None	Handled in accordance with resolution
	(2)Proposal of amendment of “Internal control	None	Handled in

	system” is resolved		accordance with resolution
	(3)Proposal of amendment of “Accounting system” is resolved	None	Handled in accordance with resolution
	(4)Proposal of “2018 employee’s remuneration distribution” is resolved	None	Handled in accordance with resolution
	(5)Proposal of “this company’s 2018 Business report, financial statements and consolidated financial statements” is resolved	None	Handled in accordance with resolution
	(6)Proposal of “capital reserve transferred to cash distribution” is resolved	None	Handled in accordance with resolution
	(7)Proposal of “2019 budget” is resolved	None	Handled in accordance with resolution
	(8)Proposal of “Cancellation of repurchased treasury shares” is resolved	None	Handled in accordance with resolution
	(9)Proposal of “Financial Reporting CPA's Independence Assessment” is resolved	None	Handled in accordance with resolution
	(10)Proposal of “Organization adjustment” is resolved	None	Handled in accordance with resolution
	(11) Proposal of “2018 Chairman and Manager Year-end Bonus” is resolved	None	Handled in accordance with resolution
	(12)Proposal of “Relief of restriction on manager’s and director’s competition activity” is resolved	None	Handled in accordance with resolution
Mar/20/2019	(1)Proposal of “Recognition of credit line of financial institutions” is resolved	None	Handled in accordance with resolution
	(2)Proposal of “Application of credit line of financial institutions” is resolved	None	Handled in accordance with resolution
	(3)Proposal of “2018 Internal control statement”	None	Review is complete

	is resolved		and is published
	(4)Proposals of Promulgation of “Operation procedure of repurchase of treasury shares” and Amendment of “Internal control system” are resolved	None	Amendment operation is completed
	(5)Proposal of amendment of “Regulations Governing the Acquisition and Disposal of Assets” of the company is resolved	None	Handled in accordance with resolution
	(6)Proposal of amendment of “Director Selection Process” of the company is resolved	None	Handled in accordance with resolution
	(7)Proposal of amendment of “Rules for Corporate Governance Practice” suggested by the Audit Committee is resolved	None	Amendment operation is completed
	(8)Proposal of amendment of “Performance assessment method for the board of directors” is resolved	None	Handled in accordance with resolution
	(9)Proposal of “Issuance of first unsecured domestic convertible corporate bonds and Issuance of second unsecured domestic convertible corporate bonds” suggested by the Audit Committee is resolved	None	Handled in accordance with resolution
	(10) “Relief of restriction on current managers and directors and his/her/its representative’s competition activity” is resolved	None	Handled in accordance with resolution
	(11)Proposal of convention of 2019 Shareholders’ meeting is resolved.	None	Handled in accordance with resolution

(xii).In the most recent year and up to the print date of annual report, resolution of board of directors on which the chairman or supervisor has a dissenting opinion which is on record or stated in a written statement: None.

Date of board of director’s meeting	Summary of proposal	Summary of board of directors	Summary of director’s dissenting opinions	Remark
Mar.20.2019	Case: This company intends to issue first unsecured domestic convertible corporate bonds and	Except director Zheng Suhua and director Xu Jisheng indicated that they need more information , and	Director Zheng Suhua and director Xu Jisheng expressed qualified opinions.	

Date of board of director's meeting	Summary of proposal	Summary of board of directors	Summary of director's dissenting opinions	Remark
	second unsecured domestic convertible corporate bonds	did not express their opinions, the proposal as suggested by the audit committee was unanimously approved by all the remaining directors.		

(xiii). In the most recent year and up to the print date of annual report, the summary of resignation or dismissal of chairman, general manager, accounting supervisor, financial supervisor, internal audit supervisor and R&D supervisor: None.

v. Information on CPA professional fees

Name of CPA firm	Name of CPA		Duration	Remark
Ernst & Young Global Limited	Lin Suwen	Yang Zhihui	Jan 2018~Dec 2018	

Unit NT\$ (K)

Range of amount \ Item of fees		Audit fees	Non-audit fees	Total
1	Less than 2,000 (K)	✓	✓	✓
2	2,000(K)(Included)~4,000(K)			
3	4,000(K)(Included)~6,000(K)			
4	6,000(K)(Included)~8,000(K)			
5	8,000(K)(Included)~10,000(K)			
6	10,000(K)(Included) above			

(i). When non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed

Unit NT\$ (K)

Name of CPA firm	Name of CPA	Audit fees	Non-audit fees					CPA verification duration	Remark
			Syst em design	Regi strati on	Hum an Reso urce	other	sum		
Ernst & Young Global Limited	Lin Suwen Yang Zhihui	1,540	-	-	-	160	160	Jan 2018 ~ Dec 2018	Others for issuance the settlement procedure report, check list of project review report

(ii).When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: Not applicable.

(iii).When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 15 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: Not applicable.

vi.Information on replacement of CPA: None.

vii.Where the company's chairman, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm: None.

viii.In the most recent year and up to the print date of annual report, any transfer of equity interests and/or pledge of or change in equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent

(i).Changes in the shareholding of directors, supervisors, managers and major shareholders

Title	Name	2018		Up to Apr.19.2019	
		Increase (decrease) number of shares held	Increase (decrease) number of shares pledged	Increase (decrease) number of shares held	Increase (decrease) number of shares pledged
Juristic Person Director and 10% Major shareholder	Taiwan Aerospace Corp.	(100,000)	-	-	-
Representative of Juristic Person Director	Taiwan Aerospace Corp. Representative: Lu Tianlin	236,000	-	(10,000)	-
Representative of Juristic Person Director	Taiwan Aerospace Corp. Representative: Chen Jinming	-	-	-	-
Representative of Juristic Person Director(Note 1)	Taiwan Aerospace Corp. Representative:Shi Guanyu	-	-	-	-
Representative of Juristic Person Director(Note 2)	Taiwan Aerospace Corp. Representative:Hsieh Hecheng	5,000	-	22,000	-
Representative of Juristic Person Director(Note 3)	Taiwan Aerospace Corp. Representative: Li Yuezhong	-	-	-	-
Representative of Juristic Person director(Note 7)	Taiwan Aerospace Corp. Representative:Chou Chaoguo	-	-	-	-
Representative of Juristic Person Director(Note 8)	Taiwan Aerospace Corp. Representative:Hung Jianpu	60,000	-	-	-
Representative of Juristic Person Director(Note 9)	Taiwan Aerospace Corp. Representative:Liu Reicheng	-	-	-	-
Representative of Juristic Person Director(Note 10)	Taiwan Aerospace Corp. Representative:Chang Jianyi	-	-	-	-

Title	Name	2018		Up to Apr.19.2019	
		Increase (decrease) number of shares held	Increase (decrease) number of shares pledged	Increase (decrease) number of shares held	Increase (decrease) number of shares pledged
Juristic Person Director and 10% Major Shareholder	Taiwan Aerospace Corp.	-	-	-	-
Representative of Juristic Person Director(Note 11)	Taiwan Aerospace Corp. Representative: Xu Jisheng	-	-	-	-
Representative of Juristic Person Director(Note 12)	Taiwan Aerospace Corp. Representative: Zheng Suhua	-	-	-	-
Representative of Juristic Person Director(Note 13)	Taiwan Aerospace Corp. Representative: Liao Huixing	-	-	-	-
Director(Note 16)	Lu Junwei	-	-	-	-
Independent Director(Note 17)	Ke Renwei	-	-	-	-
Independent Director(Note 1)	Huang Shizhang	-	-	-	-
Independent Director(Note 1)	Zheng Zhiyang	-	-	-	-
Independent Director(Note 20)	Huang Yinzong	-	-	-	-
Independent Director(Note 21)	Chen JinJi	-	-	-	-
Assistant General Manager of Civil Aircraft Business Unit	Li Zhonglin	10,000	-	-	-
Assistant General Manager of Military Aircraft Business Unit	Chao Gaoen	10,000	-	-	-
Assistant General Manager of Helicopter Business Unit	Tsai Songling	8,000	-	-	-
Assistant General Manager	Chao Jinxian	9,000	-	-	-
Assistant General Manager	Tsui Renjun	16,000	-	-	-
Assistant General Manager	Gao Jinlan	23,000	-	-	-

Title	Name	2018		Up to Apr.19.2019	
		Increase (decrease) number of shares held	Increase (decrease) number of shares pledged	Increase (decrease) number of shares held	Increase (decrease) number of shares pledged
Manager of Fixed wings Aircraft Maintenance factory(Note 22)	Yao Shaoliang	9,000	-	-	-
Manager of Engine and Accessories Maintenance Factory(Note 22)	Wang Mingan	8,000	-	-	-
Manager of Pingtong Aircraft Maintenance Factory(Note 22)	Shi Dongshan	16,000	-	-	-
Manager of Songshan Factory(Note 22)	Wang Xianjie	16,000	-	-	-
Chief of Audit Department(Note 22)	Chen Hanjing	9,000	-	-	-
Director of Management Division(Note 22)	Liu Weiyu	8,000	-	-	-
Director of Engineering R&D Division(Note 22)	Lin Wenzong	9,000	-	-	-
Director of Quality Control Division(Note 24)	Li Chongzhong	-	-	-	-
Director of Plan and Repair Control (Note 25)	Chen Yinzhong	-	-	-	-
Director of Factory Service(Note 26)	Li Qingzheng	-	-	-	-
Director of Chairman's Office(Note 27)	Huang Junxian	6,411	-	-	-
Manager of Helicopter Factory(Note 28)	Chen Zhengguang	1,000	-	-	-
Manager of Taichung Accessories Factory(Note 28)	Liu Peijia	6,000	-	-	-
Director of Procurement Division(Note 28)	Wang Jingyi	3,000	-	-	-
Director of Civil aircraft Planning Division(Note 28)	Chang Xingnan	7,000	-	-	-
Director of Business	Hsu Mengyu	12,000	-	-	-

Title	Name	2018		Up to Apr.19.2019	
		Increase (decrease) number of shares held	Increase (decrease) number of shares pledged	Increase (decrease) number of shares held	Increase (decrease) number of shares pledged
Development Division(Note 28)					
Director of Military Aircraft Project Division(Note 28)	Huang Chuankai	3,000	-	-	-

Note 1 : Appointed after total election of directors on Jun.11.2018

Note 2 : Appointed on Mar.1.2018

Note 3 : Appointed on Feb.1.2019

Note 7 : Appointed after total election of directors on Dec.24.2015, Dismissed on Mar.1.2018

Note 8 : Appointed on Jun.19.2017, Dismissed on Mar.1.2018

Note 9 : Appointed on Apr.18.2017; Dismissed after total election of directors on Jun.11.2018

Note 10 : Appointed on Mar.1.2018; Dismissed on Jul.25.2018

Note 11 : Appointed on Sep.10.2018

Note 12 : Appointed on Mar.14.2017

Note 13 : Appointed on Mar.14.2017; Dismissed on Sep.10.2018

Note 16 : Appointed on Jun.19.2017

Note 17 : Appointed on Sep.25.2017

Note 20 : Appointed after total election of directors on Dec.24.2015; Dismissed on Jun.11.2018

Note 21 : Appointed on Jun.19.2017; Dismissed on total election of directors on Jun.11.2018

Note 22 : Dismissed on Apr.27.2018

Note 27 : Appointed on Jul.1.2017; Dismissed on Apr.27.2018

Note 28 : Appointed on Jan.1.2018; Dismissed on Apr.27.2018

(ii).The counterpart of transfer of equity interest is a stakeholder: None.

(iii).The counterpart of pledge of equity interest is a stakeholder: None.

ix.Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another

April 22, 2019

Unit: share;%

Name	Shares held by him/herself		Shares held by spouse and minor children		Shares held under other's name		If among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another, the title/name and the relationship		R e m a r k
	Shares	Ratio	Sha res	Rati o	Sha res	Rati o	Title (or name)	Relati onshi p	
TAIWAN AEROSPACE CORP.	83,483,566	69.50 %	-	-	-	-	None	None	-
TAIWAN AEROSPACE CORP. Representative: Tian Zimai	362,000	0.30%	-	-	-	-	None	None	-
Taiwan Sugar Corp.	16,301,019	13.57 %	-	-	-	-	None	None	-
Taiwan Sugar Corp. Representative: Huang Yuzheng	-	-	-	-	-	-	None	None	-
Chengchang Investment Co., Ltd.	2,188,000	1.82%	-	-	-	-	None	None	-
Chengchang Investment Co., Ltd. Representative: 李世聰	-	-	-	-	-	-	None	None	-
Mega Venture Capital Co., Ltd.	1,595,000	1.33%	-	-	-	-	None	None	-
Mega Venture Capital Co., Ltd. Representative: Lin Ruiyun	-	-	-	-	-	-	None	None	-
Chen Zhiru	1,214,000	1.01%	-	-	-	-	None	None	-
Cathay Life Insurance Company, Ltd.	925,000	0.77%	-	-	-	-	None	None	-
Cathay Life Insurance Company, Ltd. Representative: Huang	-	-	-	-	-	-	None	None	-

Tiaogui									
Hong Xuanming	600,000	0.50%	-	-	-	-	None	None	-
GAINS Investment Corporation.	524,000	0.44%	-	-	-	-	None	None	-
GAINS Investment Corporation. Representative: 黃百堅	-	-	-	-	-	-	None	None	-
Lu Tianlin	362,000	0.30%	-	-	-	-	無	無	-
Wu Yiting	290,000	0.24%	-	-	-	-	無	無	-

x.The number of shares held by the company, the number of shares held by the company's directors, supervisors, the personnel whose positions are managerial or higher, and the number of shares of the same investee enterprise which are held by the entities directly or indirectly controlled by the company. Calculate the consolidated shareholding percentage of the above categories

Unit: share; %

Re-invested businesses	Investment by this company		Investment by Director, Supervisor, manager and he entities directly or indirectly controlled by the company		Consolidated investment	
	shares	Ratio	shares	Ratio	shares	Ratio
Air Asia Company Ltd. (USA)	10,000	100.00%	-	-	10,000	100.00%

IV.Fund-raising situation

i.Capital and shares

(i).Capital source

1.Process of capital formation

April 22, 2019

Unit: NT\$ (K);(K) shares

Year/ Month	Par Value(NT\$)	Approved Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Capital source	Offset the capital with property other than case	Number of approving document
55,Jan	100	800	80,000	608	60,800	Incorporating capital	None	-
87,Sept	10	28,280	282,800	28,280	282,800	Capital reserve to capital increase	None	-
95,Jun	25	80,000	800,000	48,280	482,800	Capital increase	None	Jin(84)Shang106850
96,May	25	80,000	800,000	68,280	682,800	Capital increase	None	Jin(85)Shang107987
99,Jun	20	160,000	1,600,000	103,000	1,030,000	Capital increase	None	Jin(88)Shang123263
05,Aug	10	130,000	1,300,000	33,000	330,000	Capital decrease	None	Jin Shou Zhong Zi No.09432745400
06,Mar	11	130,000	1,300,000	69,364	693,636	Capital increase by Private placement	Creditor's rights to capital increase 312,000(K)	Jin Shou Zhong Zi No.09501048250
08,Oct	10	130,000	1,300,000	83,241	832,408	Earning to Capital increase	None	Jin Shou Zhong Zi No.09701271970
09,Oct	10	130,000	1,300,000	90,023	900,230	Earning to Capital increase	None	Jin Shou Zhong Zi No.09801227430
10,Sept	10	130,000	1,300,000	95,587	955,874	Earning to Capital increase	None	Jin Shou Zhong Zi No.09901213330
12,Sept	10	130,000	1,300,000	105,830	1,058,296	Earning to Capital increase	None	Jin Shou Zhong Zi No.10101196960

17,Jan	17.5	130,000	1,300,000	107,830	1,078,296	Capital increase	None	Jin Shou Zhong Zi No.10601008030
18,Feb	22	130,000	1,300,000	122,208	1,222,080	Capital increase	None	Jin Shou Zhong Zi No.10701023290
19,Mar	10	130,000	1,300,000	120,120	1,201,200	Cancel treasury shares: 2,088,000 shares	None	Jin Shou Shang Zi No.10801017950

2.Type of shares

April 22, 2019

Unit: share

Type of shares	Approved capital			Remark
Normal (No physical issuance)	Circulating shares	Unissued shares	Total	The company's shares are listed shares
	120,120,000	9,880,000	130,000,000	

3.Information on the general declaration system: Not applicable.

(ii).Structure of Shareholders

Apr.19.2019

Structure of Shareholders Amount	Government agencies	Financial institutions	Other legal entities	Individuals	Foreign institutions and foreigners	Total.
Number of person	0	3	17	2,048	8	2,076
Shares held	0	1,291,000	104,993,580	13,802,420	33,000	120,120,000
Shares held %	0.00%	1.07%	87.41%	11.49%	0.03%	100.00%

(iii).Equity dispersion

Apr.19.2019

Shares held range	Number of shareholder	Shares held	Shares held %
1 to 999	347	104,933	0.09%
1,000 to 5,000	1,293	2,596,554	2.16%
5,001 to 10,000	195	1,511,945	1.26%
10,001 to 15,000	74	962,220	0.80%

15,001	to	20,000	37	689,390	0.57%
20,001	to	30,000	42	1,058,089	0.88%
30,001	to	40,000	22	767,510	0.64%
40,001	to	50,000	13	594,457	0.49%
50,001	to	100,000	29	2,113,317	1.76%
100,001	to	200,000	12	1,772,000	1.48%
200,001	to	400,000	4	1,119,000	0.93%
400,001	to	600,000	2	1,124,000	0.94%
600,001	to	800,000	0	0	0.00%
800,001	to	1,000,000	1	925,000	0.77%
1,000,001 above			5	104,781,585	87.23%
Total			2,076	122,120,000	100.00%

(iv). List of major shareholders

Apr.19.2019

Shares Name of major shareholder	Shares held(share)	Shares held(%)
Taiwan Aerospace Corp.	83,483,566	69.50%
Taiwan Sugar Cop.	16,301,019	13.57%
Chengchang Investment Co., Ltd.	2,188,000	1.82%
Mega Venture Capital Co., Ltd.	1,595,000	1.33%
Chen Zhiru	1,214,000	1.01%
Cathay Life Insurance Company, Ltd.	925,000	0.77%
Hong Xuanming	600,000	0.50%
GAINS Investment Corporation.	524,000	0.44%
Lu Tianlin	362,000	0.30%
Wu Yiting	290,000	0.24%

(v).The Share's Market Price, Net Worth, Earnings and Dividend Policy for the Past Two Years (up to the print date of the annual report)

Items \ Year		2017	2018	Up to April 22, 2019
Share's Market Price	Highest	42.5	35.50	25.80
	Lowest	20.5	17.55	21.35
	Average	31.76	29.69	
Net Worth per share	Before distribution	NT\$13.51	NT\$13.91	Note 2
	After distribution	NT\$11.96	Note 1	Note 2
Earning per share	Weighted average shares (in thousand shares)	107,775	121,601	Note 2
	Earning per share	NT\$1.14	NT\$0.13	Note 2
Dividend per share	Cash dividend	NT\$1.25	Note 1	Note 2
	Bonus Shares	Stock Dividend from Retained Earnings	-	Note 2
		Stock Dividend from Capital Reserve	-	Note 2
	Accumulated unpaid dividends	-	-	Note 2
Investment compensation analysis	P/E ratio	32.72	207.92	Note 2
	P/D ratio	29.84	27.03	Note 2
	Dividend yield	0.03	0.04	Note 2

Note 1: The resolution of the board of directors was passed on January 29, 2019, but has not yet been resolved by the shareholders' meeting.

Note 2: The company's first quarterly report for 2019 has not been reviewed by CPA.

(vi).Company dividend policy and implementation status

1.Dividend policy as set out in the company's articles of association

The company's dividend policy is distributed according to the principle of stability and balance. In addition to taking into account the profit of the shareholders, it should also take into account the impact of the company's operations. The company may distribute the entire annual distributable surplus in consideration of factors such as finance, business and operation aspects. The distribution of surplus is prioritized by cash dividends and may be also distributed by stock dividends. However, the proportion of stock dividends is not more than 50% of the total dividends. In the current year, if the company has no surplus to be distributed, or although there is surplus, but the surplus amount is much lower than the actual distribution amount of the company's previous year's surplus, or depending on the company's financial, business and operation aspects, etc., it may distribute all or part of the reserve according to the laws or regulations of competent authority.

2.The situation of the proposed dividend distribution in this shareholders' meeting

On January 29, 2019, the board of directors of the Company resolved to allot a shareholder's cash dividend of NT\$1 per share (a surplus of NT\$0.08 per share and a capital reserve of NT\$0.92 per share) for a total of NT\$120,120,000. It is still to be discussed at the 2019 annual shareholders' meeting.

3.Explanation when the dividend policy is expected to change: None.

(vii).The impact of the proposed bonus shares at the shareholders' meeting on the company's operating performance and earnings per share: Not applicable.

(viii).Remuneration of employees, directors and supervisors

1.The percentage or scope of remuneration for employees, directors and supervisors contained in the company's articles of association

The remuneration of all directors of the company is authorized to board of directors to be paid according to the industry's usual level of agreement. If a director is a company official, the remuneration is determined by reference to the industry's usual level. The remuneration of independent directors authorizes the board of directors to be determined based on the level of participation, contribution to the company and reference of the

usual level of other public offering companies.

If the company makes a profit in the year, it should set aside 1%~3% for the employee's remuneration. However, if the company still has accumulated losses, the amount of remuneration should be retained in advance.

If the company's annual final accounts have surpluses, the company should first pay taxes in accordance with the law and make up for past losses, then 10% of the balance may be set aside as the statutory surplus reserve; however, this shall not apply if the statutory surplus reserve has reached the total paid-in capital of the company; and special reserve shall be set aside or rotated according to laws and regulations. If there is still a balance, accompanying the undistributed surplus at the beginning of the period, distributed according to resolution of shareholders' meeting drafted and proposed by the board of directors.

2. The basis for estimating the amount of employee bonus and remuneration to directors/supervisors, the basis for calculating the number of shares to be distributed as stock bonuses, and the accounting treatment of discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.

The employee's remuneration is based on the estimated amount of the management's estimated disbursement. If, subsequently, there is a significant difference between the actual allotment amount and the estimated amount as determined by the shareholders' meeting, it will be included in the profit and loss of the following year.

3. The distribution of remuneration resolved by the board of directors

- (1) Distribution of cash bonuses or stock bonuses to employees, and remuneration to directors and supervisors. If there is any discrepancy between such an amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, reasons therefor, and how it is treated shall be disclosed:

- A. Employee cash remuneration: On January 29, 2019, the board of directors of the company decided to allocate the employee remuneration for 2018 totaled NT\$160,392.

- B. Employee stock remuneration: None.

- C. Director's or supervisors' remuneration: None.

(2) Proposed allotment amount of employee stock remuneration and its the proportion in the total post-tax net profit and total employee numeration in the parent company only financial report or individual financial report in the current period: Not applicable.

4. Actual distribution of remuneration for employees, directors and supervisors in the previous year

The 2017 annual employee remuneration is NT\$3,020,949, which is paid in cash; there is no remuneration for the directors and supervisors are paid.

(ix).The situation in which the company bought back the shares of the company

April 22,2019

Treasury stocks: Batch Order	1st
Resolution date of board of directors	November 7, 2018
Purpose of buy-back	Maintain corporate credit and shareholders' equity
Price range	NT\$13.65 to 33.00
Timeframe of buy-back	Nov.9,2018~Jan.7,2019
Class, quantity of shares bought back	Common stock 2,088,000 shares
Value of shares bought-back (in NT\$ thousands)	NT\$50,470,904
Shares sold/transferred	2,088,000 shares
Accumulated number of company shares held	0 shares
Percentage of total company shares held (%)	0%

ii. Corporate debt: None.

iii. Preferred shares: None.

iv. Overseas Depository Receipts: None.

v. Employee Stock Options: None.

vi. Restricted Stock Awards: None.

vii. Issuance of New Shares for Acquisition or Exchange of Other Companies' Shares °

viii. Financing Plans and Implementation: As of the first quarter of 2019, the company's previous funding plans for the issuance or private placement of securities have been completed.

V. Operations Profile

i. Business Content

(i). Business Scope

1. Main content of the business

(1) Repair, leasing and trading of aircraft and related equipment, manufacture and assembly of aerospace parts and equipment, repair of precision industrial equipment, and agents and consultants for the above-mentioned businesses.

(2) The overall logistics support and entrusted operation management of the fleet.

2. The proportion of business

Unit: NT\$(K)

Products \ Year	2018	
	Amount	%
Aircraft maintenance	925,433	34.03
Fleet maintenance and pricing of repair, supply and assembly of aircraft	400,375	14.72
Outsourcing repair and sale of aviation materials	476,302	17.52
Spare parts and accessory repair (self-repair)	917,244	33.73
Total	2,719,354	100

3.Current commodity (service) item

- (1)Aircraft and helicopter maintenance, repair, refurbishment and testing.
- (2)Processing and repair of parts and components for aircraft and helicopters.
- (3)Aircraft and helicopter engine overhaul and test.
- (4)Aircraft and helicopter airframe system and structural modification
- (5)Aircraft and helicopter avionics overhaul and test.
- (6)Aircraft propeller renovation.
- (7)Helicopter rotor blade overhaul.
- (8)Aircraft and helicopter original spare parts for sale.
- (9)High-precision alloy steel, aluminum alloy and titanium alloy mechanical parts such as aero-engines and parts, aerospace components, aircraft structures and engines, aircraft structural sub-assemblies, parts manufacturing tools and trusses.
- (10)Fleet management and factory entrusted operation.

4.New product (service) for project development

- (1)3D Laser Metal Additive Manufacturing Aerospace Product Project
- (2)Development and manufacture of helicopter life-saving crane test platform
- (3)Energy construction of factory level maintenance and support for P-3C Anti-submarine aircraft
- (4)Energy construction of maintenance and support for BH-1900 administrative transport aircraft's checking system
- (5)Helicopter avionics system upgrade and modification development
- (6)The testing, research and development of AI artificial intelligence hybridized virtual reality aerospace product

(ii).Industry overview

- 1.Industry status, development and relevance of upstream, midstream and downstream

For aircraft maintenance service industry, based on industrial characteristics and flight safety considerations, its upstream is mainly for foreign aerospace-class original equipment manufacturer of aircraft and engine manufacturing or qualified repairers authorized by the original equipment manufacturer; downstream is the government unit governed by the governmental procurement procedure regulations or the domestic and international air transport industry. The company is required to obtain the upstream original authorized certification and be selected as a qualified aircraft maintenance center by the downstream government or the domestic and international air transport industry after field assessment in order to perform related maintenance business.

(1) Domestic market

A. Government military strategic commercial maintenance

- a. Army , TH-67, OH-58D and CH-47SD Helicopter strategic commercial maintenance projects have been undertaken by this company. It has entered the contract continuation or cooperated with the military services to transform the contract and introduce the efficiency logistics services. At present, it is estimated that the operating value will be maintained at about NT\$260 million per year under stable operation.
- b. The management right of new contract from Air Force Second Logistics Commands' state-owned private-operating projects has been obtained by this company. The business scope includes Taichung accessories factory and Pingtung aircraft maintenance factory. The contract period is from January 1, 2018 to December 31, 2022, for 5 years (the contract amount is NT\$13.36 billion), and it can be renewed once (for 5 years).
- c. The original contract of Air Force Songshan Base Command Rehabilitation and Supply Team Delegating Private Operation Project ended on December 31, 2013. The new contract has been implemented on January 1, 2014. It is estimated that by 2021, an annual turnover of NT\$150 million will be maintained.
- d. The contract of Air Force Automatic Flight management System delegating commercial maintenance project has been

obtained by this company. The contract period is from January 1, 2019 to December 31, 2022, for three years (the contract amount is NT\$128 million), and it may be extended for three years.

B. Aircraft and engine component repair

The total contract value is estimated to be approximately NT\$90~120 million per year (the business is subject to customer demand, and the fluctuations are huge and it is not easy to estimate the occupancy rate).

C. Aviation materials trading

The total contract value is estimated to be NT\$10~100 million per year (the business is subject to customer demand, and the fluctuations are huge and it is not easy to estimate the occupancy rate).

(2) Foreign market

A. Aircraft maintenance

As comprehensively seen in the transportation and maintenance market in the area, affected by the economic growth of various regions, the increase in transportation demand has also led to, including, transportation and maintenance growth in aviation industry. Among them, the narrow-body passengers (cargo) aircraft in the Asia-Pacific region are the most popular, and low-cost airlines have sprung up like mushrooms and threaten traditional air transport operators.

The company's maintenance business and the main organization shall take the Boeing B727, B737, Airbus A320 and Bombardier Dash-8 Q300/400 series single-aisle narrow-body passenger aircraft as the main customer. Major customers are throughout the Northeast Asia (Russia Sakhalin: Aurora; Japan: Japan Transocean Airlines, Peach Aviation; South Korea: t'way, Eastar Jet, Jeju air); Southeast Asia (Thailand: Orient Thai Airlines Indonesia: Airfast); Oceania (Hawaii: Trans air; Guam: APA), etc. Recently, in the strong international competition, we also had slight gain. We have The NOK AIR of Thailand, South Korea's Air Incheon and Air Busan. Pan Pacific Airlines of the Philippines, VietJet Air of

Vietnam and Cambodian Airways to be arranged to let aircraft be into the factory. And we continually strive for customers in the emerging areas. It is estimated the number of maintenance trips will grow by 10% each year.

B. Aircraft and engine components repair

For the aircraft components repair from Korean Air Force, the Thai Army, and the police unit, the annual contract amount is about NT\$10-20 million.

2. Various development trends and competition situations of products

(1) In aspect of aircraft maintenance

In recent years, with the economic growth of China and Southeast Asia in the Asia-Pacific region, they have become the world's major factories and important economies. Their economic growth has driven the demand for transportation to rise rapidly. The demand for airports and fleets has grown substantially, and the demand for station and aircraft maintenance has increased rapidly.

According to the global aviation fleet and MRO market forecast, in the MRO business, fleet maintenance accounts for about 10% of airline costs, while industry and market analysts predict that global MRO will grow at a 4% CAGR. In 2028, it will reach a value of US\$114.7 billion, while the Asia-Pacific region forecasts a growth of 4%. China and India will grow at a high rate of 10.6% and 5.6% respectively, with engine maintenance being the largest global market component (54%). The second is heavy-duty maintenance (17%) and components (15%), while line maintenance is about 14%. The air transport industry in the Asia-Pacific region has entered a period of rapid development in recent years, and the development of Europe and the United States has matured and slowed down; coupled with overcapacity and fierce competition in those regions, and considering the growth of the Asia-Pacific market and the low cost of labor, many multinational manufacturers involved in third-party business in this region and have the determination to enter the market. They may invest a wholly-owned subsidiary or they can establish a joint venture with airlines and MROs. This may enable airlines to invest their main spirit and cost into the rapidly changing aviation industry, and let the powerful MRO have unlimited opportunities.

(2) Analysis of competitiveness

Main products	This company	China Airlines (including Mandarin Airlines)	EVERGREEN AVIATION TECHNOLOGIES CORP.	Taiwan Aerospace Corp.
Aircraft airframe maintenance	FAA/CAA/DGCA/DCA/JCAB/CCA customer aircraft repair B727/737, A319/320/321, Dash-8 Q300/400, MD-80/90 Series, King Air 200 & 300 Series, B1900, Cessna 208B、BN-2 Series, Bell 206, 212, 412 Series governmental and military C-130, S-2T, T-34, E-2T, E-2K, 500MD, FK-50, AH-1W, UH-1H, TH-67, CH-47, OH-58, BV234, S-70C, UH-60M、P-3C	FAA/CAA/EASA/CAAC/CAD/Korea MOLIT/DCA/CAAV/CAAS/ Turkey DGCA Certificate, self-owned fleet repair A300/306/310/320/321/330 Series /343/359、B737 Series /747 Series /772/777-300ER、ERJ-190/ERJ-190-100	FAA/CAA/EASA/CAAC/JCAB/BVC Self-owned fleet all stages repair B737NG/742/743/744/747-8/767 Series/777 Series/787 Series, A318/319/320/321/330 Series, ATR72, B747 and B767 freighter modified from passenger aircraft	Air Force IDF, AT-3, F-5E/F, Army AH-1W, UH-1H repair and civil aircraft A321, B737/747/787, CL-350, S-92/H92, C-27J, LJ70/75, MRJ etc. Manufacturing of part of aircraft body and structural parts
Engine and component repair	T-53, PT6A-25A/65B, PT6T, A250, GTCP-85 series APU and aircraft, engine accessories maintenance energy for 1,500 items	PW4000, CFM56-7B, CFM56-5C, CF6-80C2, CF6-80E1, 331-350C, PWC901A and 131-9B etc., full energy for engine, the accessories of above aircraft maintenance energy for 1,800 items	GE CF6-80C2/CF6-80E1 Series, GE90-115B, GEnx-1B/-2B、T700, repair of above aircraft and engine accessories	Commercial HTF7000, CT7, Air Force TFE-1042, TFE731, T53-L-701A, Army T53-L13B etc., Engine repair and component manufacturing of listed above aircraft
Aviation materials trading	Aviation materials of military services and National Airborne Service Corps	-	Aviation materials of military services	Aviation materials of military services

(3)Competitive advantage analysis

The domestic aerospace industry is in a situation of imperfect competition, such as China Airlines and EVA Air, each with different aircraft fleets; Taiwan Aerospace Corp. is actively engaged in the production of civil aviation equipment after privatization; this company is a maintenance center. The capital and operation size of each company is quite different, the business type and content are also various.

In the competition of domestic business, companies have no consistency in market competition policy and decision-making. In particular, aviation maintenance industry is essentially different from manufacturing industry. Therefore, several domestic aerospace companies may focus on their own oligopolistic occupations, sometimes may collaborate for common goals, or competing for their own interests. This makes the market and business are indiscriminate. In the pursuit of maximum profits, they compete with each other, even they reduce each other's profits and space after failure of cooperation. Therefore, regardless of the form of competition, this company must maintain a high degree of competitive advantage if it wishes to survive and sustain development.

(iii).Overview of technology and R&D

1. The company's research and development expenditure in 2018 is NT\$ 22,306 (K),
2. Significant R&D results are as follows:
 - (1) Completion of modification design and system simulation test of the Army TH-67 helicopter air-conditioning system replacement R&D plan. In the future, we will pursue the upgrade of the TH-67 helicopter avionics system and strive to develop new business and capability with the improved R&D modification technology
 - (2) 3D Laser Metal Additive Manufacturing Aerospace Product Project (Powder Bed Fusion)

A.Complete the expected test slices and test pieces of 3D laser titanium layer the aerospace repair process, which has been found domestically, and participate, and jointly develop the covering aerospace repair process with the industrial service project from the Laser and Additive Manufacturing Technology

Center (LAMC), the Industrial Technology Research Institute(ITRI), in order to improve the process environment. It is expected that the analysis of the test slices, test pieces and metallographic materials and mechanical strength will be completed in April 2019.

B.For stainless steel 17-4 PH test products and aluminum castings A356 aerospace disappearing merchandises, in the experiments of optical grain structure inspection, Coupon test piece hardness and mechanical strength tensile force, pores and other tests, material properties are greater than or equal to the original design requirements, which have obtained the signatures of ITRI and Additive Manufacturing Center, NCSIST to manufacture and test the qualified products which can be installed on the military aircraft with the consent of the military. This may alleviate the dissatisfaction of some military merchandises such as 17-4 PH stainless steel and A356 cast aluminum structural parts.

(iv). Long-term and short-term business development plans

1.Short-term business development plans

In the aircraft maintenance business, in addition to consolidating the existing business, this company will actively accelerate the development of foreign commercial (such as: foreign commercial client fleet) and government agencies (such as: helicopter repair project) aircraft maintenance business. In response to the economic growth of Northeast Asia and Southeast Asia, this company will drive the demand for air transportation; at the same time, taking advantage of Taiwan's geographical location and advantages, we will strive to include single-aisle commercial aircraft of other low-cost airlines and air transport operators from Japan, South Korea, Vietnam, the Philippines, Thailand, Indonesia to enter the factory for maintenance services. Moreover, we shall cooperate with the government to continue implementing military strategic commercial maintenance business, in order to strive for relevant military aircraft systems and performance improvement cases.

Referring to the mainstream market and the aircraft selected by aircraft transport operators, we shall conduct profit analysis, review investment returns, establish testing and maintenance capability for new aircraft and auxiliary equipment and focus on personnel training, quality improvement.

At the same time, it will strengthen the acquisition of licenses, data collection, and analysis of working hours to increase utilization rate and production efficiency.

AS9110 is the quality management system standard unanimously recognized by the international aviation maintenance industry and the current aviation industry MRO generally adopts EASA certification. This company is expected to obtain AS9110 certification in the first half of 2018, and will obtain EU EASA certification in 2019. This will have long-term and positive benefits on both business promotion and customer sources.

2.Long-term business development plans

Using technology projects or industrial cooperation to strive for capability preparation and improve the quality of production, maintenance processes and value of accessories, we shall gradually promote the increase in quantity into increase in quality, expand the unstable sporadic case-by-case maintenance business into a long-term fleet service. This company will increase its capability development into a comprehensive narrow-body passenger aircraft and helicopter repair center in the Asia-Pacific region.

ii.Overview of market and production/sales situation

(i).Market analysis

1.Sales (providing) area of major commodities (services)

The company's main business is the repair of aircraft and related equipment. The scope of business marketing depends on the actual maintenance business. Currently, in addition to the domestic armed forces, airlines and government agencies, the marketing channels of foreign countries have been extended to Europe, United States, Africa, Central and South American markets, and Asia-Pacific countries such as Thailand, Vietnam, Cambodia, Philippines, South Korea, Indonesia, Malaysia, Singapore, etc. In terms of business passenger aircraft, at the beginning, this company will cooperate with the governmental policy to Evaluate the co-production and manufacturing development of the fuselage, airframe structure system components, and steel components. Coping with the succeeding revision of civil aviation regulations which opens for the private plane and commercial private plane, this company will then slowly move to project management services, aircraft maintenance, modification

and other project areas. The main customers include domestic and other customers in the Asia Pacific region.

2. Market share

With years of experience in aircraft maintenance and aviation materials trading, the company strives for stable development in the field of aircraft and derivative services; and is actively pursuing business opportunities in the field of business passenger aircraft and large civil aircraft logistics maintenance services, and strives for certain possession in the relevant market.

3. The future supply and demand situation and growth of the market

Please refer to the descriptions in the current status and development of the industry, relevance of the upstream, midstream and downstream, as well as the development trend and competition of the products

4. Advantages, disadvantages and countermeasures of competitive niche and development prospects

(1) Competitive niche and advantages

A. Hub location

Taiwan is located in the hub location of the Asia-Pacific region with the highest growth rate of global air transportation.

B. Rich maintenance experience

The company has accumulated more than 70 years of maintenance capability, experienced staff and maintenance licenses issued by the civil aviation administration of various countries and the maintenance licenses authorized by each aerospace original equipment manufacturer.

C. A number of international professional certifications

Over the years, the company has successively signed strategic alliances with international aircraft manufacturing companies such as Lockheed Martin and Sikorsky Aircraft Corporation, and introduced the advanced technology, including the establishment of technical database, reception of aircraft blueprint, personnel and technical training, and equipment tools and authorized manufacturing of equipment tools and verification for special

equipment reception, etc. Under the transfer of the original technology, the company has become the repair center certified by 13 international aerospace original equipment manufacturer and obtained the authorization certificates of 13 national civil aviation bureaus. It has become one of the few domestic professional manufacturers with both military and civil aircraft maintenance capability.

D.Favorable national defense policy

The government has stepped up to expand the defense industry into a huge domestic demand-type military aircraft maintenance market, and the company has undertaken a number of strategic military and civil aircraft commercial maintenance projects from the Ministry of National Defense and the Ministry of the Interior, which will facilitate the development of international aircraft maintenance business based on the Taiwan market.

E.Complete aviation material authorization

This company has obtained the exclusive agency right for the sales of aviation materials related to the internationally renowned aerospace manufacturers and is a professional repair factory certified by them.

F.Qualifications to enter the logistics maintenance service industry of high-precision manufacturing equipment

The company has aeronautical logistics support system with aerospace level, and has a complete manufacturing logistics processing facilities and sufficient manufacturing space to enter the high-precision logistics service industry.

G.Best quality and fast delivery schedule

The company has more than 70 years of extensive maintenance experience, and insists on quality and fast and accurate delivery schedule in maintenance work, and has established an excellent reputation in the aircraft maintenance market.

(2)Disadvantages

A.Labor costs

The labor cost is higher than that of some Southeast Asian countries such as China, Philippines, Indonesia, etc., and some Southeast Asian countries have plans to expand and maintain factories. The competition is fierce.

B.Technology licensing costs

The technology and aviation materials are controlled by the original manufacturer, resulting in increase of maintenance costs, and because the original manufacturer has a two-handed strategy for domestic aerospace maintenance, and the military has no professional and fair qualifications assessing ideology for military aircraft maintenance and bidding operations, the company's advantages of continuing exclusive licensing will face challenges.

C.Complicated models for maintenance

The aircraft models in the domestic civil and military aircraft

maintenance market are numerous, mixed and the number is small. The maintenance capability is not integrated or re-invested.

(3)Countermeasures

A.Strengthen production scheduling with clients

Strengthen the communication with customers, and properly arrange the entry schedule and delivery schedule of customers' aircraft, engines and components.

B.Employee production shift

In line with the schedule and quantity of customer's demand, the shift system will be implemented to improve the use and productivity of the factory and shorten the delivery schedule.

C.Global strategic alliance

Establish a global network of aircraft maintenance relationships by participating in large-scale cooperation programs and working with internationally renowned aerospace manufacturers.

D.Strengthening education and professional knowledge

Strengthen the education and training of aircraft engine and component maintenance expertise and management capabilities, and strive to improve quality and efficiency, in order to reduce operating costs.

(ii).Important use and production process of the main products

The company's main business items are to provide repair, modification, leasing and trading of aircraft and related equipment, including various types of aircraft inspection and maintenance services, passenger aircraft modification, age inspection and life extension, military aircraft maintenance inspection, fleet management and maintenance and whole aircraft commercial maintenance projects. The main purpose is to maintain and ensure the safety of the aircraft.

(iii).Supply status of main raw materials

The company's main business is military and commercial aircraft (fixed-wings and helicopter) airframe maintenance, military engine overhaul, various types of hydraulic, transmission, aircraft and other components repair and sales of various aviation materials and accessories. The company carries out various

maintenance work according to the FAA regulations of the United States Federal Aviation Administration, national civil aviation regulations of various countries and OEM regulations. Aviation materials procurement and supply are subject to aviation safety airworthiness inspection standards, and the aviation materials shall be purchased from respectively original aircraft manufacturers and original engine manufacturers such as Boeing, McDonnell Douglas, Bell, Hawker Beechcraft Corporation, Honeywell, P&WC, Breeze-Eastern, Collins Aerospace and Rolls- Royce and other original manufacturers and Aviation Suppliers Association qualified manufacturers. The source and supply of major maintenance materials are relatively stable.

(iv).A list of any suppliers and clients accounting for 10 percent or more of the company's total procurement (sales) amount in either of the 2 most recent fiscal years, the amounts and percentage bought from (sold to)

1.Major suppliers' information for the last two years: This company has no supplier whose total procurement (sales) amount accounts for 10 percent or more.

2. Major customers information for the last two years

Unit: NT\$(K);%

item	2016				2017			
	Name	Amount	Ratio in net annual purchase (%)	Relation with issuer	Name	Amount	Ratio in net annual purchase (%)	Relation with issuer
1	A customer	826,782	34.20	None	D customer	1,116,919	41.07	None
2	B customer	377,142	15.60	None	A customer	462,592	17.01	None
3	C customer	325,219	13.45	None	B customer	292,470	10.76	None
4	D customer	6,857	0.28	None	C customer	78,918	2.90	None
5	Other (sales amount less than 10%)	881,744	36.47	None	Other (sales amount less than 10%)	768,455	28.26	None
	sales net value	2,417,744	100.00		sales net value	2,719,354	100.00	

The company's main business items are the repair, leasing and trading of aircraft and related equipment, the manufacture and assembly of aviation parts and equipment, the repair of precision industrial equipment and the sale of aviation materials. The inspection business needed by the customer has different stage requirements depending on the age of the aircraft. Therefore, the maintenance demand is not fixed every year. Thus, the purchase situation of the company depends on the customer's maintenance requirements, resulting in the annual order of the suppliers may change.

(v).Production value in the last two years

Unit: NT\$(K)

Main products \ Year	2017			2018		
	Production capacity	Production output	Production value	Production capacity	Production output	Production value
Aircraft maintenance	-	79 sorties	819,483	-	109 sorties	793,577
Fleet maintenance and pricing of repair, supply and assembly of aircraft	-	Note 1	460,807	-	Note 1	330,715
Outsourcing repair and sale of aviation materials	-	Note 2	495,539	-	Note 2	452,879
Spare parts and accessory repair (self-repair)	-	Note 3	247,621	-	Note 3	829,859
Total	-		2,023,450	-		2,407,030

Note 1: Because the nature of business is to undertake the maintenance operated to the whole fleet, the control points are calculated at a proper rate, so the capacity and output cannot be calculated.

Note 2: Because the nature of business is aviation material trading and outsourcing maintenance of spare parts, the product items are highly variable and the unit and pricing model are different, so the capacity and output cannot be calculated.

Note 3: Because the nature of business is self-repair of aviation materials spare parts, the product items are highly variable and the unit and pricing model are different, so the capacity and output cannot be calculated.

(vi).Sales volume in the last two years

Unit: NT\$(K)

Main products \ Year	2017				2018			
	Domestic sales		Export		Domestic sales		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Aircraft maintenance	29 sorties	386,195	50 sorties	555,731	48 sorties	514,214	61 sorties	411,219
Fleet maintenance and pricing of repair, supply and assembly of aircraft	Note 1	564,577	Note 1	-	Note 1	400,375	Note 1	-
Outsourcing repair and sale of aviation materials	Note 2	499,043	Note 2	143,044	Note 2	406,943	Note 2	69,359
Spare parts and accessory repair (self-repair)	Note 3	251,051	Note 3	18,103	Note 3	913,340	Note 3	3,905
Total		1,700,866		716,878		2,234,871		484,483

Note 1: Because the nature of business is to undertake the maintenance operated to the whole fleet, the control points are calculated at a proper rate, so the capacity and output cannot be calculated.

Note 2: Because the nature of business is aviation material trading and outsourcing maintenance of spare parts, the product items are highly variable and the unit and pricing model are different, so the capacity and output cannot be calculated.

Note 3: Because the nature of business is self-repair of aviation materials spare parts, the product items are highly variable and the unit and pricing model are different, so the capacity and output cannot be calculated.

iii. Number of employees, average length of service, average age and education contribution ratio of employees in the last two years and up to the print date of annual report

April 22, 2019

Year		2017	2018	Up to Apr.22.2019
Number of employees	Chairman's office	9	11	12
	General Manager's office	1	3	4
	Assistant General Manager's office	2	6	2
	Factory Manager / (Assistant) Director / Rector	17	20	23
	Team Leader	55	65	64
	Assistant Team Leader	22	23	28
	Employee	749	896	911
	Total	855	1024	1044
average age		45.4 years old	46.0 years old	45.6 years old
average length of service		11Y2M	8Y2M	7Y1M
Education distribution ratio	Doctor	0.12%	0.10%	0.00%
	Master	8.77%	9.67%	9.77%
	College	63.51%	64.55%	64.85%
	High School	26.55%	24.90%	24.62%
	Under High School	1.05%	0.78%	0.76%

iv.Information of environmental protection expenditure

(i).The total amount of losses and dispositions due to environmental pollution in the most recent year up to the print date of annual report: None.

(ii).Future countermeasures and possible expenses: None.

v.Labor Relations

(i).Current important labor agreements and implementation

1.Employee welfare measures and implementation situation

(1) All employees of the company participate in labor insurance and national health insurance; the company insures all employees for group insurance and attached medical insurance, and fully pays group insurance premiums. All payment items are handled in accordance with the relevant regulations.

(2) The company established the employee welfare committee on October 17, 1967, and the company and employees shall set aside welfare funds to plan, promote and implement various welfare measures. The project covers the congratulations and condolences of employees' weddings and funerals, and distributes vouchers for the three holidays, wedding gifts, maternity gifts, birthday gifts, hospitalization condolences, retirement condolences, funeral grants and self-selected benefits.

(3)The company handles employee health checks every year, provides three-week benefits for employees, wedding and funeral subsidies, and welfare measures such as transportation to and from Pingtong aircraft maintenance factory

(4) The union provides welfare measures for their members on subsidies such as hospitalization condolences, wedding gifts, and funeral and condolences.

2. Education and training

(1) According to the relevant regulation of Civil aviation Act, qualified repair factory must have professional training personnel with sufficient knowledge and experience to perform maintenance, preventive maintenance or modification and other work.

(2) In order to let the employees fully understand the relevant laws and

regulations of aircraft maintenance, the company has regular and irregular training courses. Further, in response to the needs of international aviation organizations, civil aviation authorities or technology of original equipment manufacturer the employee will receive various maintenance related training courses abroad or outsourcing training.

- (3) To handle the training of the chief officer, arrange the supervisors and business related personnel to accept the training of relevant courses such as aviation safety, leadership, finance, risk management, procurement, etc., and upgrade and make them have the competent functions.
- (4) Proceed cooperation of industry and academy, in addition to cultivating technical manpower, we also provide colleagues with professional knowledge and technology to cooperative schools as industry teachers to expand career development.
- (5) Through methods of aircraft maintenance training course and encouraging and coaching employees to obtain licenses for cultivation of reserved talent of technical manpower, in order to promote high-quality manpower.

3. Retirement system and implementation situation

- (1) In order to take care of the economic life of employees after they leave the workplace, the company has established a labor retirement reserve supervision committee in accordance with the relevant provisions of the Labor Standards Act to coordinate the management of related businesses.
- (2) To those employees whom the Labor Pension Act may apply, the company also pays monthly pensions in compliance with regulations.

4. Situation of various employee rights maintenance measures

In addition to promulgation of work rules according to the laws and regulations, this company also clearly regulates various labor conditions and protect the rights and interests of employees, and establish employees' warfare committee in accordance with the laws. Employees' various rights and interests can be handled fairly and reasonably through the above channels. .

5.Negotiation between labor and management

This company has promulgated the "Rules for Prevention of Workplace Sexual Harassment" and "Reporting System" and holds labor and management meetings in compliance with laws and regulations. This company shall provide employees with a comfortable working environment, and set up a smooth communication channel (such as grievance line and mailbox); so far, the labor relations are quite harmonious.

- (ii). Loss in labor disputes in the most recent year (up to the print date of annual report): None.
- (iii). The company has been awarded the "Labor-Management Harmony Unit" and the "Second Session of Five-Heart Excellent Enterprise" medals by the competent authority.
- (iv). The company and the union had signed a group agreement on November 24, 2016 and November 10, 2017 respectively.

vi.Important contracts (up to the print date of annual report)

Nature of contract	Counterpart	Starting and ending date of the contract	main content	Res trict ions
Sales agreement	Armaments Bureau, MND	Oct.1.2017~Dec.31.2024	OH-58D Helicopter strategic military aircraft commercial maintenance project	-
Sales agreement	MND	Apr.1.2019~Mar.31.2026	CH-47SD Helicopter strategic whole aircraft commercial maintenance project	-
Sales agreement	MND	Jul.30.2013~Mar.31.2019	AH-1W Helicopter strategic system commercial maintenance project	-
Sales agreement	MND	Jan.01.2018~Dec.31.2022	Air Force Second Logistics Command Military Factory Delegating Private Operation Project	-
Sales agreement	MND	Jan.1.2014~Dec.31.2021	Air Force Songshan Base Command Rehabilitation and Supply Team Delegating Private Operation Project	-
Labor agreement	MND	Jan.1.2019~Dec.31.2021	Automatic Flight management System Delegating Commercial maintenance Project	-
Sales agreement	MND	Jan.17.2018~Dec.31.2019	TFE731-2-2L engine parts and accessories open for sale project	-
Sales agreement	MND	Sep.1.2016~Dec.31.2023	TH-67 Helicopter strategic fleet commercial maintenance project	-
Sales agreement	Army Logistic Command	Apr.1.2018~Dec.31.2019	UH-1H Helicopter strategic military aircraft commercial maintenance project	-
Sales agreement	Aerospace Industrial Development Corp	Jul.30.2015~Aug.31.2018	UH-1H Helicopter open maintenance contract	-
Sales agreement	National Airborne Service Corps of the Ministry of the Interior	Jun.1.2017~Dec.31.2019	Beech fixed-wings fleet preventive maintenance and repair service in commercial maintenance contract	-
Technical cooperation agreement	BreezeEastern, LLC	Mar.7.2019~Permanently	BE life-saving crane and cargo crane system	-
Technical cooperation agreement	Boeing Helicopter Corp.	Apr.2.2009~Jun.30.2018	CH-47SD Helicopter repair TAA (TA4038-08)	-
Technical cooperation agreement	Columbia Helicopters. Inc.	Jan/08-2019~Permanently	CH-47SD Helicopter repair	-

Nature of contract	Counterpart	Starting and ending date of the contract	main content	Res trict ions
Technical cooperation agreement	Northrop Grumman	Jan.1.2009~Jul.31.2027	E-2T Repair TAA (TA3557-08)	-
Technical cooperation agreement	Triumph Engine Control Systems, LLC	Aug.1.1994~Permanently(Mar.8.2019 Repair agreement concluded)	Fuel control system	-
Technical support and maintenance factory agreement	RollS-Royce Corporation	Dec.4.2018~Dec.31.2026	M250 Engine	-
Sales agreement	Jeju Air Co. Ltd.	Mar.20.2019~Jun.28.2024	737 Series type aircraft fleet maintenance contract	-
Sales agreement	Peach Aviation Ltd.	Jun.1.2015~May.31.2020	A320 Fleet maintenance contract	-
Sales agreement	Aurora Airlines	Dec.1.2017~Dec.31.2022	Dash-8&A319, A320 Fleet maintenance contract	-
Sales agreement	Japan Transocean Air Co.,Ltd.	May.24.2017~May.24.2022	737 Series maintenance contract	-
Sales agreement	PT Airfast Indonesia	Sep.1.2015~Aug.31.2020	MD-82 、 MD-83 Fleet maintenance contract	-
Sales agreement	Vietjet Aviation JSC	Oct.9.2018~Sep.30.2020	A320 Fleet maintenance contract	-
Sales agreement	Cambodia Airways Co., Ltd.	Jan.1.2018~Jan.1.2021	A319, A320, A321 Fleet maintenance contract	-
Sales agreement	t'way Air Co.,Ltd.	Jan.16.2019~Jan.31.2020	737-800 nine aircraft maintenance contract	-
Sales agreement	Estar Jet	Mar.28.2018~Apr.30.2018	737-800 two aircraft maintenance contract	-
Sales agreement	Air Incheon	Mar.14.2018~May.14.2018	737-400 one aircraft maintenance contract	-
Loan agreement	Chang Hua Bank	Dec.10.2014~Dec.10.2021	7-year mid-term guaranteed loan	-
Loan agreement	Chang Hua Bank	Nov.26.2018~Nov.26.2023	5-year mid-term guaranteed loan	-
Loan agreement	Taiwan Cooperative Bank	Mar.26.2019~Mar.26.2024	5-year mid-term loan	-
MOU	Lockheed Martin	Mar.23.2017~Permanently	MOU for C-130, P-3C, F16 types	-

VI. Financial overview

i. Condensed balance sheet and consolidated profit and loss statement in the recent five years

(i). International Financial Reporting Standards (IFRS)

1. Combined Concise Balance Sheet- IFRS

Unit NT\$

Item \ Year		Financial information in recent five years(Note)				
		2014	2015	2016	2017	2018
Current asset		1,100,710	1,221,772	1,403,674	1,227,429	2,502,452
Property, plant and equipment		766,574	748,871	720,941	712,843	709,079
Intangible assets		28,215	18,379	3,952	3,327	2,870
Other assets		154,322	107,613	133,356	204,386	202,566
Total assets		2,049,821	2,096,635	2,261,923	2,147,985	3,416,967
Current Liabilities	Before distribution	341,887	520,604	531,231	478,359	1,416,037
	After distribution	447,717	520,604	698,367	631,119	Not distributed yet
Non-current liabilities		346,382	294,112	257,317	212,494	324,873
Total liabilities	Before distribution	688,269	814,716	788,548	690,853	1,740,910
	After distribution	794,099	814,716	955,684	843,613	Not distributed yet
Interests attributable to parent company owner		1,361,552	1,281,919	1,473,375	1,457,132	1,676,057
Capital		1,058,296	1,058,296	1,058,475	1,078,296	1,222,080
Capital reserve		181,395	181,395	138,095	153,095	365,749
Retained earnings	Before distribution	121,623	41,868	276,504	225,692	129,262
	After distribution	15,793	41,868	109,368	72,932	Not distributed yet
Other interests		238	360	301	49	139
Treasury stock		-	-	-	-	(41,173)
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	1,361,552	1,281,919	1,473,375	1,457,132	1,676,057
	After distribution	1,255,722	1,281,919	1,306,239	1,304,372	Not distributed yet

Note: The financial reports of the above years are all verified by the CPAs.

2. Combined Concise Statement of Comprehensive Income-IFRS

Unit NT\$

Item \ Year	Financial analysis for the past five years (Note 1)				
	2014	2015	2016	2017	2018
Operating Revenue	1,999,184	2,122,469	2,733,461	2,417,744	2,719,354
Operating margin	368,935	293,237	436,182	394,294	312,324
Operating income	177,821	66,623	237,376	148,933	14,240
Non-operating income and expenses	6,742	(21,793)	(3,913)	(907)	(6,380)
Income from continuing operations before income tax	184,563	44,830	233,463	148,026	7,860
Net income of continuing business units	155,156	38,366	195,588	123,393	15,405
Loss of suspended business unit	-	-	-	-	-
Net income	155,156	38,366	195,588	123,393	15,405
Other comprehensive income, net of tax	8,144	(12,169)	(4,311)	(7,321)	(7,868)
Total comprehensive income	163,300	26,197	191,277	116,072	7,537
Net income attributable to stockholders of the parent company	155,156	38,366	195,588	123,393	15,405
Net income attributable to non-controlling interests	-	-	-	-	-
Total comprehensive income attributable to stockholders of the parent company owner	163,300	26,197	191,277	116,072	7,537
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-
Earnings per share(NT\$) (Note 2)	1.47	0.36	1.85	1.14	0.13

Note 1: The financial reports of the above years are all verified by the CPAs.

Note 2: Earnings per share is calculated by retroactively adjusting the number of ordinary shares after the annual surplus to capital increase according to the proportion of capital increase.

3. Concise Individual Balance Sheet--IFRS

Unit NT\$

Item \ Year		Financial information in recent five years(Note)				
		2014	2015	2016	2017	2018
Current asset		1,096,619	1,217,618	1,399,680	1,223,826	2,498,816
Property, plant and equipment		766,574	748,871	720,941	712,843	709,079
Intangible assets		28,215	18,379	3,952	3,327	2,870
Other assets		158,375	111,728	137,312	207,953	206,164
Total assets		2,049,783	2,096,596	2,261,885	2,147,949	3,416,929
Current Liabilities	Before distribution	341,849	520,565	531,193	478,323	1,415,999
	After distribution	447,679	520,565	698,329	631,083	Not distributed yet
Non-current liabilities		346,382	294,112	257,317	212,494	324,873
Total liabilities	Before distribution	688,231	814,677	788,510	690,817	1,741,872
	After distribution	794,061	814,677	955,646	843,577	Not distributed yet
Interests attributable to parent company owner		1,361,552	1,281,919	1,473,375	1,457,132	1,676,057
Capital		1,058,296	1,058,296	1,058,475	1,078,296	1,222,080
Capital reserve		181,395	181,395	138,095	153,095	365,749
Retained earnings	Before distribution	121,623	41,868	276,504	225,692	129,262
	After distribution	15,793	41,868	109,368	72,093	Not distributed yet
Other interests		238	360	301	49	139
Treasury stock		-	-	-	-	(41,173)
Non-controlling interests			-	-	-	-
Total equity	Before distribution	1,361,552	1,281,919	1,473,375	1,457,132	1,676,057
	After distribution	1,255,722	1,281,919	1,306,239	1,304,372	Not distributed yet

Note: The financial reports of the above years are all verified by the CPAs.

4. Concise Individual Statement of Comprehensive Income-IFRS

Unit NT\$

Item \ Year	Financial analysis for the past five years (Note 1)				
	2014	2015	2016	2017	2018
Operating Revenue	1,999,184	2,122,469	2,733,461	2,417,744	2,719,354
Operating margin	368,935	293,237	436,182	394,294	312,324
Operating income	177,875	66,684	237,464	149,017	14,323
Non-operating income and expenses	6,688	(21,854)	(4,001)	(991)	(6,463)
Income from continuing operations before income tax	184,563	44,830	233,463	148,026	7,860
Net income of continuing business units	155,156	38,366	195,588	123,393	15,405
Loss of suspended business unit	-	-	-	-	-
Net income	155,156	38,366	195,588	123,393	15,405
Other comprehensive income, net of tax	8,144	(12,169)	(4,311)	(7,321)	(7,868)
Total comprehensive income	163,300	26,197	191,277	116,072	7,537
Net income attributable to stockholders of the parent company	155,156	38,366	195,588	123,393	15,405
Net income attributable to non-controlling interests	-	-	-	-	-
Total comprehensive income attributable to stockholders of the parent company owner	163,300	26,197	191,277	116,072	7,537
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-
Earnings per share(NT\$) (Note 2)	1.47	0.36	1.85	1.14	0.13
Earnings per share(NT\$) (Note 2)					

Note 1: The financial reports of the above years are all verified by the CPAs.

Note 2: Earnings per share is calculated by retroactively adjusting the number of ordinary shares after the annual surplus to capital increase according to the proportion of capital increase.

(ii).Taiwan-IFRSs (TIFRSs)

1.Combined Concise Balance Sheet-TIFRSs

Unit:NT\$

Item \ Year		Financial information in recent five years(Note)				
		2014	2015	2016	2017	2018
Current asset		1,138,984	Not applicable			
Funds and investments		-				
Fixed assets		775,775				
Intangible assets		28,215				
Other assets		104,103				
Total assets		2,047,077				
Current Liabilities	Before distribution	378,549				
	After distribution	484,379				
Long-term liability		150,000				
Other liability		143,568				
Total liabilities	Before distribution	198,606				
	After distribution	92,776				
Capital		1,058,296				
Capital reserve		181,395				
Retained earnings	Before distribution	198,606				
	After distribution	92,776				
Unrealized gain or loss on financial instrument		-				
Cumulative translation adjustment		(274)				
Net loss not recognized as pension cost		(63,063)				
Total Owner's Equity	Before distribution	1,374,960				
	After distribution	1,269,130				

Note: The financial reports of the above years are all verified by the CPAs.

2. Combined Concise Statement of Comprehensive Income-TIFRS

Unit NT\$

Item \ Year	Financial analysis for the past five years (Note 1)				
	2014	2015	2016	2017	2018
Net Operating Revenue	1,729,354	Not applicable			
Operating margin	333,005				
Operating net profit	137,524				
Non-operating income	22,363				
Non-operating expenses	(15,621)				
Pre-tax net profit	144,266				
Net Profit after Tax	121,710				
Earnings per share(NT\$) (Note2)	1.15				

Note 1: The financial reports of the above years are all verified by the CPAs.

Note 2: Earnings per share is calculated by retroactively adjusting the number of ordinary shares after the annual surplus to capital increase according to the proportion of capital increase.

3. Concise Individual Balance Sheet--TIFRS

Unit NT\$

Item \ Year		Financial information in recent five years(Note)				
		2014	2015	2016	2017	2018
Current asset		1,134,893	Not applicable			
Funds and investments		4,053				
Fixed assets		775,775				
Intangible assets		28,215				
Other assets		104,103				
Total assets		2,047,039				
Current Liabilities	Before distribution	378,511				
	After distribution	484,341				
Long-term liability		150,000				
Other liability		143,568				
Total liabilities	Before distribution	672,079				
	After distribution	777,909				
Capital		1,058,296				
Capital reserve		181,395				
Retained earnings	Before distribution	198,606				
	After distribution	92,776				
Unrealized gain or loss on financial instrument		-				
Cumulative translation adjustment		(274)				
Net loss not recognized as pension cost		(63,063)				
Total Owner's Equity	Before distribution	1,374,960				
	After distribution	1,269,130				

Note: Financial information in recent five years

4. Concise Individual Statement of Comprehensive Income-TIFRS

Unit NT\$

Item \ Year	Financial analysis for the past five years (Note 1)				
	2014	2015	2016	2017	2018
Net Operating Revenue	1,729,354	Not applicable			
Operating margin	333,005				
Operating net profit	137,578				
Non-operating income	22,363				
Non-operating expenses	(15,675)				
Pre-tax net profit	144,266				
Net Profit after Tax	121,710				
Earnings per share(NT\$) (Note2)	1.15				

Note 1: The financial reports of the above years are all verified by the CPAs.

Note 2: Earnings per share is calculated by retroactively adjusting the number of ordinary shares after the annual surplus to capital increase according to the proportion of capital increase.

(iii). The CPAs who conduct verification in the recent 5 years and their audit opinion

Year	Name of CPA	Audit opinion
2014	Hu Ziren, Huang Shijie	No reserved opinion
2015	Hu Ziren, Huang Shijie	No reserved opinion
2016	Lin Suwen, Yang Zhihui	No reserved opinion
2017	Lin Suwen, Yang Zhihui	No reserved opinion
2018	Lin Suwen, Yang Zhihui	No reserved opinion

ii. Financial analysis for the past five years

(i). International Financial Reporting Standards (IFRS)

1. Combined Financial Analysis- IFRS

Item (Note 2) \ Year		Financial analysis in recent five years (Note 1)				
		2014	2015	2016	2017	2018
Financial structure	Debt to asset ratio (%)	33.57	38.85	34.86	32.16	50.94
	Long term capital to property, plant and equipment ratio (%)	222.80	210.45	240.06	234.22	282.18
Solvency	Current ratio (%)	321.95	234.68	264.23	256.59	176.72
	Quick ratio (%)	254.58	173.33	185.23	186.50	102.08
	Interest coverage ratio (times)	46.34	9.60	45.69	39.89	2.45
Operating capacity	Payable turnover rate(times)	4.28	3.47	4.17	3.38	2.92
	Average cash recovery day	85	105	88	108	125
	Inventory turnover rate (times)	7.18	6.99	6.42	5.68	3.59
	Payable turnover rate(times)	25.43	13.56	13.77	14.83	18.78
	Days sales outstanding	51	52	57	64	102
	Property, plant and equipment turnover rate (times)	2.60	2.80	3.71	3.37	3.82
	Total asset turnover rate (times)	1.01	1.02	1.25	1.09	0.97
Profitability	Return on assets (%)	8.02	2.05	9.17	5.73	0.71
	Return on equity (%)	11.99	2.90	14.19	8.42	0.98
	Pre-tax net profit to paid-in capital ratio (%)	17.43	4.23	22.05	13.72	0.64
	Net profit (loss) rate (%)	7.76	1.80	7.15	5.10	0.56
	Earnings per share(NT\$)	1.47	0.36	1.85	1.14	0.13
Cash flow	Cash flow ratio (%)	9.64	26.58	17.53	31.17	(79.79)
	Cash flow adequacy ratio (%)	227.29	169.38	125.11	80.99	(45.02)
	Cash reinvestment ratio (%)	0.27	1.44	3.76	(0.73)	(45.80)
Leverage	Operating leverage	10.65	29.52	11.06	15.23	176.28
	Financial leverage	1.02	1.08	1.02	1.02	1.60

Please indicate the reasons for the changes in the financial ratios in the last two years. (increasing or decreasing by 20% as follows:)

1. The increase in the debt ratio and the decrease in solvency is due to the business expansion and the increase in application of funds.
2. The decrease in the profitability item ratio is due to the decrease in net profit after tax.
3. The decrease in cash flow ratio is due to the decrease in net cash provided by operating activities and the increase in the current liabilities.
4. The decrease in the cash flow adequacy rate is due to the decrease in net cash inflows from operating activities in the last five years.
5. The increase in operating leverage is due to the decrease in operating interests.

2. Individual Financial Analysis-IFRS

Item (Note 2)		Year	Financial analysis in recent five years (Note 1)				
			2014	2015	2016	2017	2018
Financial structure	Debt to asset ratio (%)		33.57	38.85	34.86	32.16	50.94
	Long term capital to property, plant and equipment ratio (%)		222.80	210.45	240.06	234.22	282.18
Solvency	Current ratio (%)		320.79	233.90	263.49	255.85	176.47
	Quick ratio (%)		253.41	172.54	184.49	185.76	101.82
	Interest coverage ratio (times)		46.34	9.60	45.69	39.89	2.45
Operating capacity	Payable turnover rate (times)		4.28	3.47	4.17	3.38	3.56
	Average cash recovery day		85.28	105.18	87.52	107.98	102.52
	Inventory turnover rate (times)		7.18	6.99	6.42	5.68	3.59
	Payable turnover rate (times)		25.43	13.56	13.77	14.83	13.98
	Days sales outstanding		50.83	52.21	56.85	64.26	101.67
	Property, plant and equipment turnover rate (times)		2.60	2.80	3.71	3.37	3.82
	Total asset turnover rate (times)		1.01	1.02	1.25	1.09	0.97
Profitability	Return on assets (%)		8.02	2.05	9.17	5.73	0.71
	Return on equity (%)		11.99	2.90	8.95	8.42	0.98
	Pre-tax net profit to paid-in capital ratio (%)		17.43	4.23	22.05	13.72	0.64
	Net profit (loss) rate (%)		7.76	1.80	7.15	5.10	0.56
	Earnings per share(NT\$)		1.47	0.36	1.14	1.14	0.13
Cash flow	Cash flow ratio (%)		9.67	26.60	17.55	31.19	(79.78)
	Cash flow adequacy ratio (%)		227.30	169.41	125.15	81.04	(44.99)
	Cash reinvestment ratio (%)		0.28	1.45	3.76	(0.72)	(45.86)
Leverage	Operating leverage		10.65	29.49	11.05	15.23	175.26
	Financial leverage		1.02	1.08	1.02	1.02	1.60

Please indicate the reasons for the changes in the financial ratios in the last two years. (increasing or decreasing by 20% as follows:)

1. The increase in the debt ratio and the decrease in solvency is due to the business expansion and the increase in application of funds.
2. The decrease in the profitability item ratio is due to the decrease in net profit after tax.
3. The decrease in cash flow ratio is due to the decrease in net cash provided by operating activities and the increase in the current liabilities.
4. The decrease in the cash flow adequacy rate is due to the decrease in net cash inflows from operating activities in the last five years.
5. The increase in operating leverage is due to the decrease in operating interests.

Note 1: The financial reports of the above years are all verified by the CPAs.

Note 2: The calculation formula of financial analysis items is as follows:

1. Financial structure

- (1) Debt to asset ratio = Non-current liabilities / Total assets
- (2) Long term capital to property, plant and equipment ratio = (Total equity + Non-current liabilities) / Net property, plant and equipment

2. Solvency

- (1) Current ratio = Current assets / Current liabilities
- (2) Quick ratio = (Current assets — Inventories — Prepaid expenses) / Current liabilities
- (3) Interest coverage ratio = Net earnings before income tax and interest expenses / Current interest expense

3. Operating capacity

- (1) Receivable (including Trade receivables and Notes receivables arising from operating activities) turnover rate = Net sales / Balance of Average receivable for each period (including Trade receivables and Notes receivables arising from operating activities)
- (2) Average cash recovery day = 365 / Receivable turnover rate
- (3) Inventory turnover rate = Cost of goods sold / Average inventory balance
- (4) Payable (including Accounts payable and Notes payable arising from operating activities) turnover rate = Cost of goods sold / Balance of Average payable for each period (including Accounts payable and Notes payable arising from operating activities)
- (5) Days sales outstanding = 365 / Inventory turnover rate
- (6) Fixed assets turnover rate = Net sales / Net average fixed assets
- (7) Total asset turnover rate = Net sales / Average total assets

4. Profitability

- (1) Return on assets = [After-tax profit and loss + Interest expenses × (1 — Tax rate)] / Average total assets
- (2) Return on equity = After-tax profit and loss / Average total equity
- (3) Net profit rate = After-tax profit and loss / Net sales
- (4) Earnings per share = (Profit and losses attributable to parent company owner — Preferred share dividends) / Weighted average shares issued

5. Cash flow

- (1) Cash flow ratio = Operating Net Cash Flow / Current liabilities

- (2) Net cash flow adequacy ratio = Net cash flow from operating activities within the last five years / (Capital expenditure + Inventory increase + Cash dividend) within the last five years
- (3) Cash reinvestment ratio = (Net cash flow from operating activities – Cash dividend) / (Gross property, plant and equipment + Long-term investment + Other non-current assets + working capital) °

6. Leverage

- (1) Operating leverage = (Net Operating Revenue – operating variable cost and expense) / operating income
- (2) Financial leverage = operating income / (operating income – interest expense)

(ii).Taiwan-IFRSs (TIFRSs)

1.Combined Financial analysis-TIFRS

Item (Note 2) \ Year			Financial analysis in recent five years (Note 1)					
			2014	2015	2016	2017	2018	
Financial structure	Debt to asset ratio (%)		32.83	Not applicable				
	Long term capital to property, plant and equipment ratio (%)		196.57					
Solvency	Current ratio (%)		300.88					
	Quick ratio (%)		156.55					
	Interest coverage ratio (times)		36.45					
Operating capacity	Payable turnover rate (times)		6.21					
	Average cash recovery day		58.82					
	Inventory turnover rate (times)		3.31					
	Payable turnover rate (times)		21.78					
	Days sales outstanding		110.12					
	Fixed assets turnover rate (times)		2.23					
	Total asset turnover rate (times)		0.88					
Profitability	Return on assets (%)		6.38					
	Return on equity (%)		9.16					
	Percentage of paid-up capital (%)	operating income	12.99					
		Pre-tax net profit	13.63					
	Net profit rate (%)		7.04					
	Earnings per share (NT\$)		1.15					
Cash flow	Cash flow ratio (%)		8.21					
	Cash flow adequacy ratio (%)		161.84					
	Cash reinvestment ratio (%)		0.20					
Leverage	Operating leverage		11.82					
	Financial leverage		1.03					

2. Individual Financial Analysis-TIFRS

Item(Note 2)		Year	Financial analysis in recent five years(Note 1)				
			2014	2015	2016	2017	2018
Financial structure	Debt to asset ratio (%)		32.83	Not Applicable			
	Long term capital to property, plant and equipment ratio (%)		196.57				
Solvency	Current ratio (%)		299.83				
	Quick ratio (%)		155.49				
	Interest coverage ratio (times)		36.45				
Operating capacity	Payable turnover rate(times)		6.21				
	Average cash recovery day		58.82				
	Inventory turnover rate (times)		3.31				
	Payable turnover rate(times)		21.78				
	Days sales outstanding		110.12				
	Fixed assets turnover rate (times)		2.23				
	Total asset turnover rate (times)		0.88				
Profitability	Return on assets (%)		6.38				
	Return on equity (%)		9.16				
	Percentage of paid-up capital (%)	Operating income	13.00				
		Pre-tax net profit	13.63				
	Net profit rate (%)		7.04				
	Earnings per share(NT\$)		1.15				
Cash flow	Cash flow ratio (%)		8.23				
	Cash flow adequacy ratio (%)		161.90				
	Cash reinvestment ratio (%)		0.20				
Leverage	Operating leverage		11.81				
	Financial leverage		1.03				

Note 1: The financial reports of the above years are all verified by the CPAs.

Note 2: The calculation formula of financial analysis items is as follows:

1. Financial structure

- (1) Debt to asset ratio = Non-current liabilities / Total assets
- (2) Long term capital to fixed assets ratio = (Net shareholder equity + Long term liabilities) / Net fixed assets

2. Solvency

- (1) Current ratio = Current assets / Current liabilities
- (2) Quick ratio = (Current assets – Inventories – O=Prepaid expenses) / Current liabilities
- (3) Interest coverage ratio = Net earnings before income tax and interest expenses / Current interest expense

3. Operating capacity

- (1) Receivable (including Trade receivables and Notes receivables arising from operating activities) turnover rate = Net sales / Balance of Average receivable for each period (including Trade receivables and Notes receivables arising from operating activities)
- (2) Average cash recovery day = 365 / Receivable turnover rate
- (3) Inventory turnover rate = Cost of goods sold / Average inventory balance
- (4) Payable (including Accounts payable and Notes payable arising from operating activities) turnover rate = Cost of goods sold / Balance of Average payable for each period (including Accounts payable and Notes payable arising from operating activities)
- (5) Days sales outstanding = 365 / Inventory turnover rate
- (6) Fixed assets turnover rate = Net sales / Net average fixed assets
- (7) Total asset turnover rate = Net sales / Average total assets

4. Profitability

- (1) Return on assets = [After-tax profit and loss + Interest expenses × (1 – Tax rate)] / Average total assets
- (2) Return on shareholder equity = After-tax profit and loss / Average net shareholder equity
- (3) Net profit rate = After-tax profit and loss / Net sales
- (4) Earnings per share = (After tax net profit – Preferred share dividends) / Weighted average shares issued

5. Cash flow

- (1) Cash flow ratio = Operating Net Cash Flow / Current liabilities

(2) Net cash flow adequacy ratio = Net cash flow from operating activities within the last five years / (Capital expenditure + Inventory increase + Cash dividend) within the last five years

(3) Cash reinvestment ratio = (Net cash flow from operating activities – Cash dividend) / (Gross fixed assets + Long-term investment + Other assets + working capital)

6. Leverage

(1) Operating leverage = (Net Operating Revenue – operating variable cost and expense) / operating income

(2) Financial leverage = operating income / (operating income – interest expense)

iii. Audit Report of Audit Committee in the Latest Annual Financial Report

Audit Report of Audit Committee

The Board of Directors had produced this Company's 2018 annual business report, financial statements and surplus distribution table. The financial statements were verified by the CPA Lin Suwen and CPA Yang Zhihui of Ernst & Young Global Limited., and a review report has been issued. The above-mentioned business report, financial statements and surplus distribution table have been reviewed by the Audit Committee and are considered to be appropriate. Therefore, according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, this report is drafted. Please kindly review this report.

To

Air Asia Co., Ltd

2019 Shareholders' Annual Meeting

Convener of Audit Committee: Ko Jen-Wei



January 29, 2019

iv. Financial statement for the most recent fiscal year

Independent Auditors' Report Translated from Chinese

To AIR ASIA CO., LTD.

Opinion

We have audited the accompanying consolidated balance sheets of AIR ASIA CO., LTD. (the "Group") as of December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2018 and 2017, and its financial performance and cash flows for the years ended December 31, 2018 and 2017, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 2018 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue Recognition

The Group's aircraft maintenance service and aircrafts business maintenance management contracts recognized revenue when a performance obligation was satisfied over time. This method calculates the percentage of completion by the actual input of materials or labors in each contract. As the calculation of percentage of completion is complicated and estimating cost involves management's

internal control design and execution regarding revenue recognition, selecting samples to perform test of details, including reviewing revenue recognition terms and conditions of contracts, comparing the actual and projected costs to verify the reasonableness of total cost estimates, and testing the material requisition record and employee time record to verify the correctness of actual input and verify the correctness of the amount of revenue recognized. We also assessed the adequacy of revenue recognition. Please refer to Notes IV, V and VI to the Group's consolidated financial statements.

2. Valuation for slow-moving inventories

As of December 31, 2018, the Group's net material inventories amounted to NT\$267,635 thousand, which was material to the financial statement. The Group's raw material may become slow-moving inventory with the related model phase-out. Management needs to assess the adequacy of write-downs of slow-moving inventories. As identification of slow-moving inventories of the amount of inventory write downs involved management's material judgment, we considered this a key audit matter.

Our audit procedures included, but not limited to, evaluating and testing the design and operating effectiveness of internal controls around slow-moving inventories, testing the evaluation basis of write-downs from slow-moving inventories and the reasonableness of provision ratio, testing the correctness of slow-moving inventory breakdown and the calculation of inventory aging. We also assessed the adequacy of disclosures of slow-moving inventories. Please refer to Notes IV, V and VI to the Group's consolidated financial statements.

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

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 Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Group.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in

internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2018 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other

We have audited and expressed an unqualified opinion including an Other Matter Paragraph on the parent company only financial statement of the Company as of and for the years ended December 31, 2018 and 2017.

Emphasis of Matters-Applied the New Standards

As stated in Note III of the consolidated financial statements, the Group and its subsidiaries applied the International Financial Reporting Standard 9, "Financial Instruments" and 15, "Revenue from Contracts with Customers" on 1 January 2018.

Lin, Su Wen

Yang, Chih Hui

Ernst & Young, Taiwan.
29 January 2019

Notice to Readers

The accompanying financial statements are intended only to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China on Taiwan and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

AIR ASIA CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of December 31, 2018 and 2017

(Expressed in Thousand of New Taiwan Dollars)

Assets	Notes	December 31, 2018	December 31, 2017
Current Assets			
Cash and cash equivalents	IV/VI	\$83,444	\$98,211
Contract assets, current	IV/VI	333,180	-
Notes and accounts receivable-Net	IV/VI	802,754	724,162
Other receivable-current		16,339	6,651
Inventories-Net	IV/V/VI	1,036,084	304,866
Prepayments		66,957	17,762
Refundable deposits-current	VIII	163,457	75,777
Other current assets		237	-
Total current assets		2,502,452	1,227,429
Non-current Assets			
Property, plant and equipment	IV/VI/VIII	709,079	712,843
Intangible assets	IV/VI	2,870	3,327
Deferred income tax assets	IV/VI	70,042	59,056
Incremental costs of obtaining contracts		45,634	-
Other noncurrent assets	VI/VIII	86,890	145,330
Total non-current assets		914,515	920,556
Total Assets		\$3,416,967	\$2,147,985

(The accompanying notes are an integral part of the consolidated financial statements.)

English Translation of Consolidated Financial Statements Originally Issued in Chinese
 AIR ASIA CO., LTD. AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS
 As of December 31, 2018 and 2017
 (Expressed in Thousand of New Taiwan Dollars)

Liabilities and Equity	Notes	December 31, 2018	December 31, 2017
Current Liabilities			
Short-term loans	IV/VI	\$722,075	\$30,000
Short-term notes and bills payable	IV/VI	229,925	-
Contract liabilities, current	IV/VI	1,114	-
Accounts payable		215,283	128,940
Other payables	VI	201,474	236,604
Income tax payable	IV/VI	-	2,207
Provisions-current	IV/V/VI	19,112	36,633
Advance receipts		-	22,098
Current portion of long-term loans	IV/VI	16,667	16,667
Other current liabilities		10,387	5,210
Total current liabilities		1,416,037	478,359
Non-current Liabilities			
Long-term loans-excluding current portion	IV/VI/VIII	183,332	49,999
Provisions-noncurrent	IV/V/VI	-	2,332
Net defined benefit liabilities- noncurrent	IV/V/VI	141,541	160,163
Total non-current liabilities		324,873	212,494
Total Liabilities		1,740,910	690,853
Equity			
Common stock	VI	1,222,080	1,078,296
Capital surplus	VI	365,749	153,095
Retained earnings	VI		
Legal reserve		117,066	104,727
Unappropriated earnings		12,196	120,965
Total retained earnings		129,262	225,692
Other component of equity		139	49
Treasury stock		(41,173)	-
Total Equity		1,676,057	1,457,132
Total Liabilities and Equity		\$3,416,967	\$2,147,985

(The accompanying notes are an integral part of the consolidated financial statements.)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

AIR ASIA CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended December 31, 2018 and 2017

(Expressed in Thousand of New Taiwan Dollars Except for Earnings Per Share)

ITEMS	NOT ES	For the year ended Dec. 31, 2018	For the year ended Dec. 31, 2017
Operating Revenue	IV/VI	\$2,719,354	\$2,417,744
Operating Costs	VI	(2,407,030)	(2,023,450)
Net Operating Margin		312,324	394,294
Operating Expenses	VI		
Selling expenses		(62,767)	(51,354)
General and administrative expenses		(200,386)	(169,776)
Research and development expenses		(22,306)	(24,231)
Expected credit losses		(12,625)	-
Total operating expenses		(298,084)	(245,361)
Operating Income		14,240	148,933
Non-operating Income and Expenses	VI		
Other revenue		10,093	9,584
Other gains and losses		(1,761)	(1,574)
Finance costs		(14,712)	(8,917)
Total non-operating income and expenses		(6,380)	(907)
Income from Continuing Operations before Income Tax		7,860	148,026
Income Tax benefit (Expense)	IV/VI	7,545	(24,633)
Net Income		\$15,405	\$123,393
Other comprehensive income	VI		
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of the defined benefit pension plans		(9,947)	(8,517)
Income tax related to items that will not be reclassified		1,989	1,448
Items that will be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		114	(305)
Income tax related to items that may be reclassified		(24)	53
Total other comprehensive income(loss), net of tax		(7,868)	(7,321)
Total comprehensive income		\$7,537	\$116,072
Net income attributable to:			
Stockholders of the parent		\$15,405	\$123,393
Comprehensive income attributable to:			
Stockholder of the parent		\$7,537	\$116,072
Earnings Per Share			
Basic earnings per share (in NT Dollar)	VI	\$0.13	\$1.14

(The accompanying notes are an integral part of the 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 years ended December 31, 2018 and 2017

(Expressed in Thousand of New Taiwan Dollars)

ITEMS	Equity attributable to the parent company						Treasury stock	Total Equity
	Stock		Capital Surplus	Retained Earnings		Other Equity		
	Common Stock	Advance Receipts for Common Stock		Legal Reserve	Unappropriated Earnings/ Accumulated deficits	Exchange Differences on Translation of Foreign Operations		
Balance as of January 1, 2017	\$1,058,296	\$179	\$138,095	\$85,168	\$191,336	\$301	\$ -	\$1,473,375
Appropriations of 2016 earnings								
Legal reserve	-	-	-	19,559	(19,559)	-	-	-
Cash dividends	-	-	-	-	(167,136)	-	-	(167,136)
Net income for the year ended December 31, 2017	-	-	-	-	123,393	-	-	123,393
Other comprehensive income(loss) for the year ended December 31, 2017	-	-	-	-	(7,069)	(252)	-	(7,321)
Total comprehensive income	-	-	-	-	116,324	(252)	-	116,072
Issuance of Common Stock	20,000	(179)	15,000	-	-	-	-	34,821
Balance as of December 31, 2017	\$1,078,296	\$-	\$153,095	\$104,727	\$120,965	\$49	\$-	\$1,457,132
Balance as of January 1, 2018	\$1,078,296	\$-	\$153,095	\$104,727	\$120,965	\$49	\$ -	\$1,457,132
Appropriations of 2017 earnings								
Legal reserve	-	-	-	12,339	(12,339)	-	-	-
Cash dividends	-	-	(48,883)	-	(103,877)	-	-	(152,760)
Net income for the year ended December 31, 2018	-	-	-	-	15,405	-	-	15,405
Other comprehensive income(loss) for the year ended December 31, 2018	-	-	-	-	(7,958)	90	-	(7,868)
Total comprehensive income	-	-	-	-	7,447	90	-	7,537
Issuance of Common Stock	143,784	-	261,537	-	-	-	-	405,321
Treasury stock acquired	-	-	-	-	-	-	(41,173)	(41,173)
Balance as of December 31, 2018	\$1,222,080	\$-	\$365,749	\$117,066	\$12,196	\$139	\$(41,173)	\$1,676,057

(The accompanying notes are an integral part of the 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 years ended December 31, 2018 and 2017

(Expressed in Thousand of New Taiwan Dollars)

ITEMS	For the year ended Dec. 31, 2018	For the year ended Dec. 31, 2017	ITEMS	For the year ended Dec. 31, 2018	For the year ended Dec. 31, 2017
Cash Flow from Operating Activities:			Cash Flow from Investing Activities:		
Net income before tax	\$7,860	\$148,026	Acquisition of property, plant and equipment	(46,813)	(34,133)
Adjustments to reconcile net income before income tax to net cash provided by operating activities:			Increase in refundable deposits	(59,818)	(12,911)
Depreciation	63,735	61,553	Acquisition of intangible assets	(4,690)	(5,088)
Amortization	5,147	5,713	Increase in other noncurrent assets	(40,413)	(11,364)
Excepted credit losses/Bad debt expense	12,625	5,097	Net cash (used in) investing activities	(151,734)	(63,496)
Interest expense	5,386	3,806			
Interest revenue	(1,481)	(1,545)	Cash Flow from Financing Activities:		
			Increase in short-term loans	692,075	10,000
Loss on disposal of property, plant and equipment	62	845	Increase in short-term notes and bills payable	229,925	-
Contract assets	(333,180)	-	Preceeds from long-term loans	150,000	-
Notes and accounts receivable-net	(91,217)	(26,259)	Repayments of long-term loans	(16,667)	(16,667)
Other receivable-current	(9,838)	(4,559)	Cash dividends	(152,760)	(167,136)
Inventories-net	(731,218)	102,605	Issuance of common stock for cash	405,321	34,821
Prepayments	(49,195)	24,966	Treasury stock acquired	(41,173)	-
Incremental cost of obtaining contracts	150	-	Net cash provided by(used in) financing activities	1,266,721	(138,982)
Contract liabilities	12,137	(48,526)			
Other noncurrent assets	1,114	-			
Accounts payable	86,343	(14,883)			
Other payables	(35,367)	(18,843)			
Provision	(19,853)	(3,312)	Effect of exchange rate changes on cash and cash equivalents	114	(305)
Advance receipts	(22,098)	(32,371)	Net Decrease in Cash and Cash Equivalents	(14,767)	(53,664)
Other current liabilities	5,177	(49)	Cash and Cash Equivalents at Beginning of Year	98,211	151,875
Net defined benefit liabilities	(28,569)	(15,005)	Cash and Cash Equivalents at End of Year	\$83,444	\$98,211
Cash generated from operations	(1,122,280)	187,259			
Interest received	1,631	1,643			
Interest paid	(5,149)	(3,824)			
Income tax paid	(4,070)	(35,959)			
Net cash (used in) provided by operating activities	(1,129,868)	149,119			

(The accompanying notes are an integral part of the parent company only financial statements)

AIR ASIA CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended 31 December 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Stated)

I. Organization and Business

AIR ASIA CO., LTD. was incorporated under the relevant laws of Republic of China (the “R.O.C.”) on 19 January 1955. The Group’s registered and operating address is No. 1050, Jichang Rd., Rende Dist., Tainan City, Taiwan, R.O.C. The Group’s principal activities consist of maintenances, renovation, upgrades and integrated logistic support services for the aircraft and related components.

The common shares of the company have been listed on the Taiwan Stock Exchange since 22 February 2018.

II. Date and Procedures of Authorization of Financial Statements for Issue

The consolidated financial statements of AIR ASIA CO., LTD. and its subsidiaries (the “Group”) for the years ended 31 December 2018 and 2017 were authorized for issue in accordance with a resolution of the Board of Directors’ meeting on 29 January 2019.

III. Newly issued or revised standards and interpretations

1. Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2018. The nature and the impact of each new standard and amendment that has a material effect on the Group is described below:

(1) IFRS 15 “Revenue from Contracts with Customers” (including Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”)

IFRS 15 replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations. In accordance with the transition provision in IFRS 15, the Group elected to recognize the cumulative effect of initially applying IFRS 15 at the date of initial application (1 January 2018). The Group also elected to apply this standard retrospectively only to contracts that are not completed contracts at the date of initial application.

The Group's principal activities consist of the sale of goods and rendering of services. The impacts arising from the adoption of IFRS 15 on the Group are summarized as follows:

A. Please refer to Note 4 for the accounting policies before or after 1 January 2018.

B. Some of the current contracts of the Group recognized revenue in accordance with IFRS 15, as the Group transfers service over time and meets performance obligation, the customer simultaneously receives and consumes the benefits provided by the Group's performance, the other entity is not required to re-perform the work currently completed by the Group. The Group recognizes revenue when a performance obligation is satisfied over time. However, for some contracts, the performance obligations were met but they do not have the right to an amount of consideration that is unconditional. These contracts should be recognized as contract assets, which is different from the accounting treatment of recognizing trade receivables before the date of initial application. Compared with the requirements of IAS 18, the trade receivables decreased by NT\$333,180 thousand and the contract assets increased by NT\$333,180 thousand as at 31 December 2018. In addition, for some contracts that render services, part of the consideration was received from customers upon signing the contract, then the Group has the obligation to provide the services subsequently. Currently the consideration received in advance was recognized as advance receipts. Starting from 1 January 2018, in accordance with IFRS 15, it should be recognized as contract liabilities. Compared with the requirements of IAS 18, advance receipts decreased by NT\$1,114 thousand and the contract liabilities increased by NT\$1,114 thousand as at 31 December 2018.

C. Please refer to Note 4, Note 5 and Note 6 for additional disclosure note required by IFRS 15.

(2) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*. In accordance with the transition provision in IFRS 9, the Group elected not to restate prior periods at the date of initial application (1 January 2018). The adoption of IFRS 9 has the following impacts on the Group:

A. The Group adopted IFRS 9 since 1 January 2018 and it adopted IAS 39 before 1 January 2018. Please refer to Note 4 for more details on accounting policies.

B. In accordance with the transition provision in IFRS 9, the assessment of the business model and classification of financial assets into the appropriate categories are based on the facts and circumstances that existed as at 1 January 2018. The classifications of financial assets and its carrying amounts as at 1 January 2018 have no difference as those under IFRS 9. The measurement categories are as follows:

IAS 39		IFRS 9	
Measurement categories	Carrying amounts	Measurement categories	Carrying amounts
At amortized cost		At amortized cost	
Cash and cash equivalents	\$83,444	Cash and cash equivalents	\$83,444
Notes and accounts receivable-Net	802,754	Notes and accounts receivable-Net	802,754
Other receivables	16,339	Other receivables	16,339
Total	<u>\$902,537</u>	Total	<u>\$902,537</u>

C. In accordance with IAS 39, the cash flow characteristics for loans and receivables are solely payments of principal. The assessment of the business model is based on the facts and circumstances that existed as at 1 January 2018. These financial assets were measured at amortized cost as they were held within a business model whose objective was to hold financial assets in order to collect contractual cash flows. Besides, in accordance with IFRS 9, no adjustment arose from the assessment of impairment losses for the aforementioned assets as at 1 January 2018. Therefore, there is no impact on the carrying amount as at 1 January 2018.

D. Please refer to Note IV, Note VI and Note XII for the related disclosures required by IFRS 7 and IFRS 9.

(3) Disclosure Initiative — Amendment to IAS 7 “Statement of Cash Flows”:

The Group required to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Please refer to Note 12 for more details.

2. Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 16 “Leases”	1 January 2019
b	IFRIC 23 “Uncertainty Over Income Tax Treatments”	1 January 2019
c	IAS 28 “Investment in Associates and Joint Ventures” — Amendments to IAS 28	1 January 2019
d	Prepayment Features with Negative Compensation (Amendments to IFRS 9)	1 January 2019
e	Improvements to International Financial Reporting Standards (2015-2017 cycle)	1 January 2019
f	Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	1 January 2019

(1) *IFRS 16 “Leases”*

The new standard requires lessees to account for all leases under one single accounting model (except for short-term or low-value asset lease exemptions), which is for lessees to recognize right-of-use assets and lease liabilities on the balance sheet and the depreciation expense and interest expense associated with those leases in the consolidated statements of comprehensive income. Besides, lessors’ classification remains unchanged as operating or finance leases, but additional disclosure information is required.

(2) *IFRIC 23 “Uncertainty Over Income Tax Treatments”*

The Interpretation clarifies application of recognition and measurement requirements in IAS 12 “Income Taxes” when there is uncertainty over income tax treatments.

(3) *IAS 28 “Investment in Associates and Joint Ventures” — Amendments to IAS 28*

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture before it applies IAS 28, and in applying IFRS 9, does not take account of any

adjustments that arise from applying IAS 28.

(4) Prepayment Features with Negative Compensation (Amendments to IFRS 9)

The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract, to be measured at amortized cost or at fair value through other comprehensive income.

(5) Improvements to International Financial Reporting Standards (2015-2017 cycle):

IFRS 3 “Business Combinations”

The amendments clarify that an entity that has joint control of a joint operation shall remeasure its previously held interest in a joint operation when it obtains control of the business.

IFRS 11 “Joint Arrangements”

The amendments clarify that an entity that participates in, but does not have joint control of, a joint operation does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

IAS 12 “Income Taxes”

The amendments clarify that an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

IAS 23 “Borrowing Costs”

The amendments clarify that an entity should treat as part of general borrowings any borrowing made specifically to obtain an asset when the asset is ready for its intended use or sale.

(6) Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

The amendments clarify that when a change in a defined benefit plan is made (such as amendment, curtailment or settlement, etc.), the entity should use the updated assumptions to remeasure its net defined benefit liability or asset.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2019. Apart from item (1) explained below, the remaining standards and interpretations have no material impact on the Group:

(1)IFRS 16 “Leases”

IFRS 16 “Leases” replaces IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC-15 “Operating Leases - Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”. The impact arising from the adoption of IFRS 16 on the Group are summarized as follows:

A. With respect to the definition of a lease, the Group elects not to reassess whether a contract is, or contains, a lease at the date of initial application (1 January 2019) in accordance with the transition provision in IFRS 16. The Group adopted IFRS 16 to contracts that were previously identified as leases while adopting IAS 17 and IFRIC 4; contracts that were not previously identified as containing a lease adopting IAS 17 and IFRIC 4, are not applicable under IFRS 16.

The Group is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Group recognized the cumulative effect of initially applying IFRS 16 on 1 January 2019 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

(a)Leases classified as operating leases

For leases that were classified as operating leases adopting IAS 17, the Group expects to measure and recognize those leases as lease liability on 1 January 2019 at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on 1 January 2019, and the Group chooses, on a lease-by-lease basis, to measure the right-of-use asset based on the lease liability.

The Group expects the right-of-use asset will increase by NT\$284,974 thousand and the lease liability will increase by NT\$284,974 thousand on 1 January 2019. No adjustment to the opening balance of retained earnings.

The additional disclosures of lessee and lessor required by IFRS 16 will be disclosed in the relevant notes.

3. Standards or interpretations issued, revised or amended, by IASB but not yet endorsed by FSC at the date of issuance of the Group's financial statements are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 "Insurance Contracts"	1 January 2021
c	Definition of a Business (Amendments to IFRS 3)	1 January 2020
d	Definition of Material (Amendments to IAS 1 and 8)	1 January 2020

(1) IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full. IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

The effective date of the amendments has been postponed indefinitely, but early adoption is allowed.

(2) IFRS 17 "Insurance Contracts"

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a Group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin.

The fulfilment cash flows comprise of the following:

- A. estimates of future cash flows;
- B. Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
- C. a risk adjustment for non-financial risk.

The carrying amount of a Group insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

(3) *Definition of a Business* (Amendments to IFRS 3)

The amendments clarify the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. IFRS 3 continues to adopt a market participant's perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.

(4) *Definition of a Material* (Amendments to IAS 1 and 8)

The main amendment is to clarify new definition of material. It states that “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The abovementioned standards and interpretations issued by IASB have no material impact on the Group.

IV. Summary of Significant Accounting Policies

1. Statement of Compliance

The Group's consolidated financial statements as of 31 December 2018 and 2017 were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations"), IFRSs, IASs, IFRIC and SIC, which are endorsed by FSC (TIFRSs).

2. Basis of Preparation

The consolidated financial statement have been prepared on a historical cost basis, except for financial instruments measured at fair value.

3. Basis of consolidation

Preparation principle of consolidated financial statement

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- (1) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- (2) exposure, or rights, to variable returns from its involvement with the investee, and
- (3) the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (1) the contractual arrangement with the other vote holders of the investee
- (2) rights arising from other contractual arrangements
- (3) the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent Group, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

3.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group loses control of a subsidiary, it:

- (1) derecognizes the assets (including goodwill) and liabilities of the subsidiary
- (2) derecognizes the carrying amount of any non-controlling interest
- (3) recognizes the fair value of the consideration received
- (4) recognizes the fair value of any investment retained
- (5) recognizes any surplus or deficit in profit or loss
- (6) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss

The consolidated entities are listed as follows:

Investor			Subsidiary			Main businesses	Percentage of ownership (%)	
							31 Dec.2018	31 Dec.2017
AIR	ASIA	CO.,	Air	Asia	Group	Logistics	100%	100%
LTD			Ltd.(USA)			Services		

4. Foreign Currency Transactions

The functional currency presented in the Group's parent Group only financial statements is New Taiwan Dollars ("NT Dollars" or "NT\$").

Transactions in foreign currencies are initially recorded by the Group in the functional currency rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Non-monetary items that are measured at fair value in a foreign currency should be translated using the exchange rates at the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- (1) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (2) Foreign currency items within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are accounted for based on the accounting policy for financial instruments.
- (3) Exchange differences arising on a monetary item that forms part of a reporting entity’s net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

5. Translation of financial statements in foreign currency

Every foreign operating entity of the Group determines its own functional currency, and measures its financial statements by such functional currency. The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. On the partial disposal of a foreign operation that result in a loss of control, loss of significant influence or joint control but retains partial equity, it is considered as disposal.

On partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

6. Current and non-current distinction

An asset is classified as current when:

- (1) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- (2) The Group holds the asset primarily for the purpose of trading
- (3) The Group expects to realize the asset within twelve months after the reporting period.
- (4) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- (1) The Group expects to settle the liability in its normal operating cycle
- (2) The Group holds the liability primarily for the purpose of trading
- (3) The liability is due to be settled within twelve months after the reporting period
- (4) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

7. Cash and Cash Equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

8. Financial Instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments (Before 1 January 2018: IAS 39 Financial Instruments: Recognition and Measurement) are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(1) Financial instruments: Recognition and Measurement

The accounting policy from 1 January 2018 as follows:

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- A.the Group's business model for managing the financial assets and
- B.the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

- A.the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- B.the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

The accounting policy before 1 January 2018 as follows:

The Group accounts for regular way purchase or sales of financial assets on the trade date.

Financial assets of the Group are classified as loans and receivables. The Group determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group upon initial recognition designates as available for sale, classified as at fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment.

Loans and receivables are separately presented on the balance sheet as receivables or debt instrument investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

(2) Impairment of financial assets

The accounting policy from 1 January 2018 as follows:

The Group recognizes a loss allowance for expected credit losses on debt instrument investments measured financial asset measured at amortized cost.

The Group measures expected credit losses of a financial instrument in a way that reflects:

- A. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- B. the time value of money; and
- C. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For trade receivables or contract assets arising from transactions within the scope of

IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note XII for further details on credit risk.

The accounting policy before 1 January 2018 as follows:

The Group assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset impaired, other than receivables impaired which are reduced through the use of an allowance account, is reduced directly and the amount of the loss is recognized in profit or loss.

The loss events of the financial assets include:

- A. significant financial difficulty of the issuer or obligor; or
- B. a breach of contract, such as a default or delinquency in interest or principal payments; or
- C. it becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- D. the disappearance of an active market for that financial asset because of financial difficulties.

For loans and receivables measured at amortized cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest

used to discount the future cash flows for the purpose of measuring the impairment loss.

Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

(3) Derecognition of financial assets

Financial asset is derecognized when:

- A. The contractual rights to receive cash flows from the asset have expired.
- B. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
- C. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(4) Financial Liabilities and Equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments (before 1 January 2018: IAS 39 Financial Instruments: Recognition and Measurement) are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at

amortized cost upon initial recognition.

Financial liabilities carried at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the EIR method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(5) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

9. Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials – Actual purchase cost on weighted average method

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

10. Property, Plant and Equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 Property, plant and equipment. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Item	Useful life
Buildings and structures	3~40 years
Machinery and equipment	2~20 years
Transportation equipment	5~20 years
Office equipment	2~13 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and the differences resulted from the previous estimation are recorded as changed in accounting estimates.

11. Leases

Group as a lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and

recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

12. Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss. The Group's intangible assets accounting policies are as follows:

	Software	Acquired special technology
Useful life	Limited useful life of 1~5 years	Limited useful life of 1~9 years
Amortization methods	Straight-line method	Straight-line method
Internally generated or outside acquisition	Outside Acquisition	Outside Acquisition

13. Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is any indication that an asset in the scope of IAS 36 Impairment of Assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group completes impairment testing for the cash-generating unit ("CGU") to which the individual assets belong. Where the carrying amount of an asset or a CGU exceeds its recoverable amount, the asset is considered

impaired and is written down to its recoverable amount. The recoverable amount of an individual asset or a CGU is the higher of its fair value less costs to sell and its value in use. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

14. Provision

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provision of Maintenance Warranties

Provision of maintenance warranties is estimated based on the terms of the product sales contracts and the best estimates made by the management on account of the future outflow of economic benefits from the maintenance warranty obligation (on the basis of historical warranty experiences).

Provision of Restoration and Repair

The Tainan maintenance base of the Group was declared by the Tainan city government as soil pollution control site and designated as the soil pollution control area. Provisions will arise to recover the site and will be recognized in the amount of the best estimates based on the related expenses expected in the obligation to improve the site. The above improvement work had been finished in 2018.

15. Revenues Recognition

The accounting policy from 1 January 2018 as follows:

The Group's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follows:

Sale of goods

The Group sells goods. Sales are recognized when control of the goods is transferred to the customer and the customer gains control of the goods (namely the customer leads the use of the commodity and obtains almost all of the remaining benefits of the commodity).

The Group provides its customer with a warranty with the purchase of the products. The warranty provides assurance that the product will operate as expected by the customers. The warranty is treated in accordance with IAS 37.

The credit period of the Group's sale of goods is from 15 to 60 days. For most of the contracts, when the Group transfers control of the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract.

Rendering of services

Some of the current contracts of the Group recognized revenue in accordance with IFRS 15, as the Group transferred services over time and meets performance obligation, the client simultaneously receives and consumes the benefits provided by the Group's performance. The other entity has almost no need to re-perform the work currently completed by the Group. The Group recognizes revenue when a performance obligation is satisfied over time.

For some contracts, when the Group has transferred the services to customers but does not have a right to an amount of consideration that is unconditional, these contracts should be recognized as contract assets. However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, and the Group has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year and did not result in any significant financial component.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are recognized as assets if the entity expects to recover those costs. The costs are amortized on a straight-line basis according to the contract periods.

The incremental costs of obtaining a contract are costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense.

The accounting policy before 1 January 2018 is as follows:

Revenue is recognized when economic benefits are likely to flow into the Group and the amount can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable. The conditions and methods for recognizing various incomes are as follows:

Sales of Goods

Revenue from sale of goods is recognized when all the following conditions have been satisfied: the significant risks and rewards of ownership of the goods have transferred to the buyer; neither continuing managerial involvement nor effective control over the goods sold have been retained; the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the entity; and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of Services

The Group's service revenue mainly comes from providing maintenance services and revenue from services is recognized by reference to the stage of completion. Stage of completion is measured by reference to the proportion that contract cost incurred for work performed to date bear to the estimated total contract costs. When the contract result cannot be reasonably estimated, revenue is recognized with respect to expense incurred that's expected to be recovered.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are recognized as assets. The costs are amortized on a straight-line basis according to the contract periods.

The incremental costs of obtaining a contract are costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense.

16. Borrowing Cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

17. Post-Employment Benefits

All regular employees of the Group are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Group. Therefore fund assets are not included in the parent Group only financial statements.

For the defined contribution plan, the Group and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Group recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- (1) the date of the plan amendment or curtailment, and
- (2) the date that the Group recognizes restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

18. Share-based payment transactions

The cost of share-based payment transactions between the Group and the employees is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

When the cash is retained for the purpose of reimbursing the shares to the employees, the grant date shall be the date on which the Group confirms the number of shares subscribed by the employee.

19. Income Tax

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred income tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred income tax

Deferred income tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in financial statement at the reporting date.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- (1) Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- (2) In respect of taxable temporary differences associated with investments in subsidiaries,

associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- (1) Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- (2) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred income tax assets and deferred income tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred income tax relating to items recognized outside profit or loss is not recognized in profit or loss but rather in other comprehensive income or directly in equity. Deferred income tax assets are reassessed and recognized at each reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

V. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's parent Group only financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources for estimating uncertainty at the reporting date that would have a significant risk for a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below.

(1) Revenue Recognition

The Group's aircraft maintenance service and aircrafts business maintenance management contracts recognized revenue by the percentage of completion method. This method calculates the percentage of completion by the actual input of materials or labors in each contract. The estimation cost of contracts includes the inputs of labors and overheads. Its related information and assumption basis is highly uncertain and involves management's material judgement. It may cause significant effect to the measurement of total cost, and then affect the measurement of recognition of revenue.

(2) Inventories

The net realizable value of inventories is estimated under the circumstances of being damaged or fully or partially obsolete or declining selling price. The expected net value of inventories is made according to the best evidence during the estimation process. Please refer to Note 6.

(3) Post-Employment Benefits

The cost of post-employment benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, etc..

(4) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

VI. Content of Significant Accounts

1. Cash and cash equivalents

	31 Dec. 2018	31 Dec. 2017
Cash on hand and saving account	\$83,444	\$83,150
Time deposits	-	15,061
Total	<u>\$83,444</u>	<u>\$98,211</u>

2. Notes and accounts receivable, net

	31 Dec. 2018	31 Dec. 2017
Notes receivable	\$95	\$818
Accounts receivable	831,300	739,360
Less: Allowance for doubtful accounts	(28,641)	(16,016)
Net	<u>802,659</u>	<u>723,344</u>
Total	<u>\$802,754</u>	<u>\$724,162</u>

Notes and accounts receivable were not pledged.

The Group adopted IFRS 9 for impairment assessment on 1 January 2018. Please refer to Note VI(16) for more details on accumulated impairment. Please refer to Note XII for more details on credit risk.

The payment term granted to customers were month end 15-60 days. The movements of the allowance for doubtful receivables and aging analysis were as follows (Please refer to Note XII for more details on credit risk):

	Individual assessment to impairment loss	Collective impairment	Total
1 Jan. 2017	\$10,919	\$-	\$10,919
Provision/(Reversal)	3,501	1,596	5,097
31 Dec. 2017	<u>\$14,420</u>	<u>\$1,596</u>	<u>\$16,016</u>

The past due account aging analysis of net account receivables was as follows:

Neither past due nor impaired	Past due but not impaired account receivables					Total
	< 90 days	91-180 days	181-270 days	271-365 days	>365 days	

31 Dec. 2017	697,268	6,024	20,052	-	-	-	723,344
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To work in line with public sector's budget execution, the accounts receivables from public sector clients might be collected later than the expected credit period. If the outstanding balance was not overdue for more than one year, it was not considered overdue and carried no risk of impairment.

3. Inventories, net

	31 Dec. 2018	31 Dec. 2017
Raw materials	\$267,635	\$159,804
Work in process	643,634	97,627
Finished goods	124,815	47,435
Total	<u>\$1,036,084</u>	<u>\$304,866</u>

The cost of inventories recognized in expenses amounted to NT\$2,407,030 thousand and NT\$2,023,450 thousand for the years ended 31 December 2018 and 2017, respectively, including the obsolete inventory recognized as expense for the period in the amount of NT\$2,440 thousand and NT\$1,050 thousand for the years ended 31 December 2018 and 2017, respectively.

No inventories noted above were pledged.

4. Property, plant and equipment

	Land	Buildings	Machinery and equipment	Office equipment	Transportati on equipment	Construction in progress and equipment awaiting inspection	Total
Cost:							
1 Jan. 2018	\$255,076	\$651,986	\$554,787	\$45,099	\$61,247	\$321	\$1,568,516
Addition	-	3,055	36,083	4,073	1,199	2,403	46,813
Disposal	-	-	(430)	(1,028)	(198)	-	(1,656)
Transfer	-	-	14,037	1,907	-	(2,724)	13,220
31 Dec. 2018	<u>\$255,076</u>	<u>\$655,041</u>	<u>\$604,477</u>	<u>\$50,051</u>	<u>\$62,248</u>	<u>\$-</u>	<u>\$1,626,893</u>
1 Jan. 2017	\$255,076	\$646,547	\$521,941	\$44,373	\$55,551	\$8,323	\$1,531,811
Addition	-	6,817	13,938	5,740	7,018	620	34,133
Disposal	-	(1,378)	(7,883)	(5,014)	(2,585)	-	(16,860)
Transfer	-	-	26,791	-	1,263	(8,622)	19,432
31 Dec. 2017	<u>\$255,076</u>	<u>\$651,986</u>	<u>\$554,787</u>	<u>\$45,099</u>	<u>\$61,247</u>	<u>\$321</u>	<u>\$1,568,516</u>
Depreciation and impairment:							
1 Jan. 2018	\$-	\$341,459	\$437,829	\$33,661	\$42,724	\$-	\$855,673
Depreciation	-	21,694	34,755	4,692	2,594	-	63,735
Disposal	-	-	(367)	(1,029)	(198)	-	(1,594)
31 Dec. 2018	<u>\$-</u>	<u>\$363,153</u>	<u>\$472,217</u>	<u>\$37,324</u>	<u>\$45,120</u>	<u>\$-</u>	<u>\$917,814</u>
1 Jan. 2017	\$-	\$320,142	\$412,745	\$34,978	\$43,005	\$-	\$810,870
Depreciation	-	22,585	32,967	3,697	2,304	-	61,553
Disposal	-	(1,268)	(7,883)	(5,014)	(2,585)	-	(16,750)
31 Dec. 2017	<u>\$-</u>	<u>\$341,459</u>	<u>\$437,829</u>	<u>\$33,661</u>	<u>\$42,724</u>	<u>\$-</u>	<u>\$855,673</u>
Net book value:							
31 Dec. 2018	<u>\$255,076</u>	<u>\$291,888</u>	<u>\$132,260</u>	<u>\$12,727</u>	<u>\$17,128</u>	<u>\$-</u>	<u>\$709,079</u>
31 Dec. 2017	<u>\$255,076</u>	<u>\$310,527</u>	<u>\$116,958</u>	<u>\$11,438</u>	<u>\$18,523</u>	<u>\$321</u>	<u>\$712,843</u>

Please refer to Note VIII for more details on property, plant and equipment under pledge.

5. Intangible assets

	Acquired special technology	Software	Total
Cost:			
1 Jan. 2018	\$7,575	\$4,584	\$12,159
Addition - acquired separately	2,833	1,857	4,690
Decrease	-	-	-
31 Dec. 2018	<u>\$10,408</u>	<u>\$6,441</u>	<u>\$16,849</u>
1 Jan. 2017	\$6,735	\$4,854	\$11,589
Addition - acquired separately	5,088	-	5,088
Decrease	(4,248)	(270)	(4,518)
31 Dec. 2017	<u>\$7,575</u>	<u>\$4,584</u>	<u>\$12,159</u>
Amortization and impairment:			
1 Jan. 2017	\$5,824	\$3,008	\$8,832
Amortization	3,743	1,404	5,147
Decrease	-	-	-
31 Dec. 2018	<u>\$9,567</u>	<u>\$4,412</u>	<u>\$13,979</u>
1 Jan. 2016	\$5,338	\$2,299	\$7,637
Amortization	4,734	979	5,713
Decrease	(4,248)	(270)	(4,518)
31 Dec. 2017	<u>\$5,824</u>	<u>\$3,008</u>	<u>\$8,832</u>
Net book value:			
31 Dec. 2018	<u>\$841</u>	<u>\$2,029</u>	<u>\$2,870</u>
31 Dec. 2017	<u>\$1,751</u>	<u>\$1,576</u>	<u>\$3,327</u>

Intangible assets amortization:

	1 Jan.~31 Dec. 2018	1 Jan.~31 Dec. 2017
Included operating costs	<u>\$4,144</u>	<u>\$4,845</u>
Included in operating expenses	<u>\$1,003</u>	<u>\$868</u>

6. Other non-current assets

	31 Dec. 2018	31 Dec. 2017
Prepayment for equipment	\$26,816	\$425
Refundable deposits	58,870	86,732
Incremental costs of obtaining contracts	(Note)	57,771
Other non-current assets-others	1,204	402
Total	<u>\$86,890</u>	<u>\$145,330</u>

Please refer to Note VIII for more details on refundable deposits-noncurrent as performance bond.

Note: The Group adopted IFRS 15 since 1 January 2018. The incremental cost of obtaining the contract is separately listed in the newly applicable accounting subject. For details, please refer to Note VI(15).

7. Short-term loans

	31 Dec. 2018	31 Dec. 2017
Unsecured loans	<u>\$722,075</u>	<u>\$30,000</u>
Interest rate range	<u>0.62%~1.22%</u>	<u>0.69%~1.22%</u>

The Group's unused short-term lines of credits amounted to NT\$297,925 thousand and NT\$1,212,000 thousand as of 31 December 2018 and 31 December 2017, respectively.

8. Short-term notes and bills payable

Guarantee or acceptance agency	31 Dec. 2018		
	Interest rate	Amount	Pledge
<u>Short-term notes</u>			
China Bills Finance Corporation	0.617%	\$150,000	None
DAH Chung Bills Finance Corporation	0.652%	80,000	"
Subtotal		<u>230,000</u>	
Discount of short-term notes		<u>(75)</u>	
Total		<u>\$229,925</u>	

31 December 2018: None.

9. Other payables

	31 Dec. 2018	31 Dec. 2017
Operating expenses	\$182,761	\$225,310
Payables on equipment	4,163	1,323
Employee bonus	160	3,021
Others	14,352	6,950
Total	<u>\$201,436</u>	<u>\$236,604</u>

10. Long-term loans

(1) The details of long-term loans were as follows:

Creditors	Nature	Period	31 Dec. 2018	Interest rate	Redemption
Chang Hwa Bank	Secured Long-Term Loan	2018.11.26~2023.11.26	\$150,000	1.36%	First installment starting from one year maturity following the first drawdown, repaid by 16 installments with every 3 months as one installment .
	Secured Long-Term Loan	2014.12.10~2021.12.10	49,999	1.36%	First installment starting from one year maturity following the first drawdown, repaid by 24 installments with every 3 months as one installment .
Less: current portion			<u>(16,667)</u>		
Total			<u>\$183,332</u>		

Creditors	Nature	Period	31 Dec. 2017	Interest rate	Redemption
Chang Hwa Bank	Secured Long-Term Loan	2014.12.10~2021.12.10	\$66,666	1.36%	First installment starting from one year maturity following the first drawdown, repaid by 24 installments with every 3 months as one installment .
Less: current portion			<u>(16,667)</u>		
Total			<u>\$49,999</u>		

(2) Please refer to Note VIII for the detail of the assets pledged as collateral for the above

liabilities.

11. Post-employment benefits

Defined contribution plan

The Group adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Group will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Group has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended 31 December 2018 and 2017 are NT\$29,481 thousand and NT\$22,461 thousand, respectively.

Defined benefit plan

The Group adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Group contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Group assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Group will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury funds can be used to cover the deficits after the approval of the competent authority. As the Group does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute 37,086 thousand to its defined benefit plan during the

following year beginning after 31 December 2018.

The average duration of the defined benefits plan obligation as of 31 December 2018 and 2017 are 9 years and 10 years.

The costs of defined benefit plan recognized to profit or loss were as follows:

	1 Jan.~31 Dec. 2018	1 Jan.~31 Dec. 2017
Current service cost	\$6,803	\$7,372
Net interest of net defined benefit liabilities/assets	1,714	2,499
Past Service cost	-	-
Total	<u>\$8,517</u>	<u>\$9,871</u>

The reconciliation of present value of defined benefit obligation and fair value of plan assets were as follows:

	31 Dec. 2018	31 Dec. 2017
Present value of the defined benefit obligation	\$144,416	\$314,753
Fair value of plan assets	<u>(2,875)</u>	<u>(154,590)</u>
Other non-current liabilities-net defined benefit liabilities recognized on the balance sheets	<u>\$141,541</u>	<u>\$160,163</u>

The reconciliation of net defined benefit liabilities (assets):

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
1 Jan. 2017	\$302,827	\$(136,176)	\$166,651
Current service cost	7,372	-	7,372
Interest cost/revenue	4,542	(2,043)	2,499
Past service cost and gains and losses from settlement	-	-	-
Subtotal	<u>314,741</u>	<u>(138,219)</u>	<u>176,522</u>
Remeasurements of defined benefit liabilities/assets			
Actuarial gains and losses resulting from changes in demographic assumptions	5,393	-	5,393
Actuarial gains and losses resulting from changes in financial assumptions	-	-	-
Experience adjustment	2,330	-	2,330
Remeasurements of defined benefit assets	-	794	794
Subtotal	<u>7,723</u>	<u>794</u>	<u>8,517</u>
Benefits paid	(7,711)	7,711	-

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
Contribution by employer	-	(24,876)	(24,876)
31 Dec. 2017	<u>\$314,753</u>	<u>\$(154,590)</u>	<u>\$160,163</u>
Current service cost	6,803	-	6,803
Interest cost/revenue	3,368	(1,654)	1,714
Past service cost and gains and losses from settlement	-	-	-
Subtotal	<u>324,924</u>	<u>(156,244)</u>	<u>168,680</u>
Remeasurements of defined benefit liabilities/assets			
Actuarial gains and losses resulting from changes in demographic assumptions	31	-	31
Actuarial gains and losses resulting from changes in financial assumptions	809	-	809
Experience adjustment	13,564	-	13,564
Remeasurements of defined benefit assets	-	(4,457)	(4,457)
Subtotal	<u>14,404</u>	<u>(4,457)</u>	<u>9,947</u>
Benefits paid	(194,912)	194,912	-
Contribution by employer	-	(37,086)	(37,086)
31 Dec. 2018	<u>\$144,416</u>	<u>\$(2,875)</u>	<u>\$141,541</u>

The following significant actuarial assumptions were used to determine the present value of the defined benefit obligation:

	31 Dec. 2018	31 Dec. 2017
Discount rate	1.25%	1.07%
Future salary increase rate	1.00%	1.00%

A sensitivity analysis for significant assumption as of 31 December 2018 and 2017 is shown below:

	1 Jan.~31 Dec. 2018		1 Jan.~31 Dec. 2017	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increase by 0.5%	\$1,122	\$-	\$-	\$13,421
Discount rate decrease by 0.5%	-	1,226	14,762	-
Future salary increase by 0.5%	454	-	14,696	-
Future salary decrease by 0.5%	-	419	-	13,494

The sensitivity analysis above are based on a change in a significant assumption (for example:

change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analysis compared to the previous period.

12. Provision

	31 Dec. 2018	31 Dec. 2017
Current	\$19,112	\$36,633
Non-current	-	2,332
Total	<u>\$19,112</u>	<u>\$38,965</u>

Maintenance Warranty

A provision was recognized for expected warranty claims on acceptance by client, based on past experience, management's judgment and other known factors:

	1 Jan.~31 Dec. 2018	1 Jan.~31 Dec. 2017
Balance at beginning of the year	\$18,132	\$18,277
Current additions	9,859	11,659
Current used	(2,956)	(2,929)
Current reversed	(5,923)	(8,875)
Balance at end of the year	<u>\$19,112</u>	<u>\$18,132</u>

Provision of Remediation and Improvement

	1 Jan.~31 Dec. 2018	1 Jan.~31 Dec. 2017
Balance at beginning of the year	\$20,833	\$24,000
Current additions	-	-
Current used	(20,833)	(3,167)
Balance at end of the year	<u>\$-</u>	<u>\$20,833</u>

The Group received a letter from Tainan City Government on 9 November 2015 stating that the Group's maintenance base in Tainan (at Land Lot No. 0553-0000, Er-ren Segment, Ren-de District) has been declared a soil pollution control site. The Group recognized provision at the best estimates based on the related expenditure with respect to the soil pollution improvement work required for the scope of the remediation and improvement obligations. The above-mentioned work has already finished in 2018.

13. Equity

(1) Common stock

As of 31 December 2018 and 31 December 2017, the Group's authorized common stock both amounted to NT\$1,300,000 thousand. The outstanding common stocks were respectively NT\$1,222,080 thousand and NT\$1,078,296 thousand, divided into 122,208 thousand shares 107,830 thousand shares and at NT\$10 par value.

The Group passed a resolution at the board of directors' meeting on 25 December 2017 to raise capital by cash in the amount of NT\$143,784 thousand. The Group issued 14,378 thousand shares of common stock at NT\$10 par value. Pursuant to the R.O.C. Group Act, 300 thousand shares were retained for employees to subscribe. The record date for capital increase was resolved at the board meeting to be 14 February 2018.

The Group passed a resolution at the board of directors' meeting on 22 November 2016 to raise capital by cash in the amount of NT\$20,000 thousand. The Group issued 2,000 thousand shares of common stock at NT\$10 par value. Pursuant to the R.O.C. Group Act, 300 thousand shares were retained for employees to subscribe. The record date for capital increase was resolved at the board meeting to be 10 January 2017.

(2) Capital reserve

	31 Dec. 2018	31 Dec. 2017
Additional paid-in capital	\$265,686	\$53,032
Gain on disposal of assets	100,063	100,063
Total	<u>\$365,749</u>	<u>\$153,095</u>

According to the Group Act, the capital reserve shall not be used except for making good the deficit of the Group. When a Group incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the Group. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

The Board of Directors meeting on 29 January 2019 approved to distribute cash dividends out of its capital surplus in the amount of NT\$110,510 thousand(NT\$ 0.92 per share).

The shareholders' meeting resolved on 11 June 2018 to cover the Group's accumulated deficits by its capital surplus in the amount of NT\$48,883 thousand (NT\$ 0.4 per share).

(3) Retained earnings and dividend policies

According to the amended Article 235-1 of the Group Act announced on 20 May 2015, the

Group shall provide a fixed amount or percentage of the profit for the year to be distributed as “employees’ compensation”. The Group had amended its Articles of Incorporation in order to comply with the preceding law and regulations at a shareholders’ meeting on 8 June 2016. The plans were as follows:

- A. According to the Articles of Incorporation, 1%~3% of profit of the current year is distributable as employees’ compensation. However, the Group's accumulated deficits shall have been covered.
- B. The Group’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 stockholders’ meeting.

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders’ meeting.

According to the Group Act, the Group needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to make good the deficit of the Group. When the Group incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

The Group’s distribution of earnings and cash dividends per share in 2018 and 2017 were approved respectively through the board of directors meeting on 29 January 2019 and the stockholders’ meeting on 11 June 2018 as shown below:

	Appropriation of earnings		Cash dividend per share	
	1 Jan.~31 Dec. 2018	1 Jan.~31 Dec. 2017	1 Jan.~31 Dec. 2018	1 Jan.~31 Dec. 2017
Legal reserve	\$1,540	\$12,339	\$-	\$-
Cash dividends	9,610	103,877	0.08	0.85

Please refer to Note VI (18) for relevant information about estimation basis and recognized amounts for employees’ compensation and remuneration to directors.

14. Treasury stock

Pursuant to the treasury stock system, the Group repurchased treasury stocks from Taiwan

Stock Exchange Corporation (TWSE).

As of 31 December 2018, the reason of the repurchase and the changes in the stocks were as follows:

The reason of repurchase	Beginning of the period	Increase	Decrease	End of the period
To maintain the Group's reputation and shareholders rights and interest	-	1,717 shares	-	1,717 shares

15. Sales

	1 Jan.~31 Dec. 2018(Note)	1 Jan.~31 Dec. 2017
Sales-maintenances	\$2,622,501	\$2,353,636
Sales-materials	96,853	64,108
Total	\$2,719,354	\$2,417,744

Note: The Group adopted IFRS 15 on 1 January 2018. The Group elected to apply the standard retrospectively by recognizing the cumulative effect of initially applying the standard at the date of initial application (1 January 2018).

The Group has adopted IFRS 15 from 1 January 2018. Analysis of revenue from contracts with customers during the year is as follows:

(1) Disaggregation of revenue

	1 Jan.~31 Dec. 2018
Aircraft maintenance	\$925,433
Fleet maintenance and repair supply	399,926
Repairing entrusted to other units and air material selling	476,751
Components maintenance	917,244
Total	\$2,719,354

Timing of revenue recognition:

At a point in time	
Aircraft maintenance	486,547
Fleet maintenance and repair supply	398,611

Outsourced repair and air material transaction	476,751
Components maintenance	845,378
Total	<u>\$2,207,287</u>
Over time	
Aircraft maintenance	\$438,886
Fleet maintenance and repair supply	1,315
Outsourced repair and air material transaction	-
Components maintenance	71,866
Total	<u>\$512,067</u>

(2)Contract balances

A.Contract assets - current

	<u>31 Dec. 2018</u>
Rendering of services	\$333,180

As of 31 December 2018, the Group performed its obligation for some contracts by transferring of services, however it has not obtained an unconditional right to receive the consideration during the period in the amount of NT\$333,180 thousand. Please refer to Note VI for more details on the impairment impact.

B.Contract liabilities – current

	<u>31 Dec. 2018</u>
Rendering of services	\$1,114

Some of the Group's contracts as at 31 December 2018 received partial consideration when signing up with the client. The Group bears the responsibility to perform the obligation of providing services subsequently. The Group recognized contract liabilities in the amount of NT\$1,114 thousand.

The period of contract liabilities transfer into revenue is usually within one year and did not result in any significant financial components.

(3)Transaction price allocated to unsatisfied performance obligations

As 31 December 2018, the Group expected to recognize average revenue in the amount of NT\$303,541 thousand from 2019 to 2021. In addition, the Group has signed a number of multi-year military maintenance contracts with the military department.

Although the contract stated the budget, the actual performance obligation is based on the maintenance work order and recognized revenue based on each order. The maintenance period of the work orders obtained as of 31 December 2018 were less than one year, so there is no need to provide information on outstanding performance obligations.

(4) Assets recognized from costs to fulfil a contract

	31 Dec. 2018	31 Dec. 2017 (Note)
Incremental costs of obtaining contracts	\$57,771	
Current additions	2,966	
Accumulated amortization	(15,103)	
Accumulated impairment	-	
Total	<u>\$45,634</u>	

Note: The Group adopted IFRS 15 on 1 January 2018. The Group elected to apply the standard retrospectively by recognizing the cumulative effect of initially applying the standard at the date of initial application (1 January 2018).

The related expenses 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 NT\$15,103 thousand were recognized from 1 January to 31 December 2018.

16. Expected credit losses/ (gains)

	1 Jan.~31 Dec. 2018	1 Jan.~31 Dec. 2017 (Note)
Operating Expense — Expected credit losses/ (gains)		
Contract assets	\$-	
Notes receivable	-	
Trade receivables	12,625	
Total	<u>\$12,625</u>	

Note: The Group adopted IFRS 9 on 1 January 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

Please refer to Note XII for more details on credit risk.

The Group measures the loss allowance of its contract assets and trade receivables (including note receivables and trade receivables) at an amount equal to lifetime expected credit losses. The Group considers the grouping of trade receivables by counterparties' credit rating, geographical region and industry sector and its loss allowance is measured

by using a provision matrix. The details are as follows:

	Not yet due	Overdue					Total
		1-90 days	91-180 days	181-270 days	271-365 days	>=365 days	
Notes receivable	\$95	\$-	\$-	\$-	\$-	\$-	\$95
Trade receivables	383,001	419,658	-	-	-	28,641	831,300
Contract assets	333,180	-	-	-	-	-	333,180
carrying amount	\$716,276	\$419,658	\$-	\$-	\$-	\$28,641	\$1,164,575
Loss ratio	0%	0%	20%	30%	50%	100%	
Lifetime expected credit losses	-	-	-	-	-	28,641	28,641
Total	\$716,276	\$419,658	\$-	\$-	\$-	\$-	\$1,135,934

If the receivables of government customers cannot be collected within the prescribed credit period due to budgeting of the central government, the amount of the receivables will be regard as not overdue with no impairment risk, if not overdue for more than 365 days,

The movement in the provision for impairment of contract assets, note receivables and trade receivables for the year ended 31 December 2018 is as follows:

	Contract assets	Note receivables	Trade receivables
Beginning balance (in accordance with IAS 39)	\$-	\$-	\$16,016
Current addition	-	-	12,625
Ending balance (in accordance with IAS 39)	\$-	\$-	\$28,641

17. Operating leases

The Group as a lessee

The Group signed a lease contract of national land and buildings for an average period of 5 to

10 years and cannot be renewed upon expiration. There is no restriction imposed on the Group in the contract.

Under the non-cancellable operating leases contract, the future minimum lease payments as of 31 December 2018 and 31 December 2017 are as follows:

	31 Dec. 2018	31 Dec. 2017
Not later than 1 year	\$15,092	\$17,049
Later than 1 year but not later than 5 years	60,367	19,354
Over 5 years	60,367	-
Total	<u>\$135,826</u>	<u>\$36,403</u>

Operating leases recognized as expenses were as follows:

	1 Jan.~31 Dec. 2018	1 Jan.~31 Dec. 2017
Minimum lease payments	<u>\$16,373</u>	<u>\$17,049</u>

18. Employee benefit, depreciation, and amortization expense are summarized as follows:

Function Nature	1 Jan.~31 Dec. 2018			1 Jan.~31 Dec. 2017		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expenses						
Salaries	\$479,561	\$122,156	\$601,717	\$429,989	\$100,200	\$530,189
Insurances	49,909	15,342	65,251	43,232	9,478	52,710
Pensions	29,643	8,355	37,998	25,856	6,476	32,332
Remuneration to directors	-	1,985	1,985	-	670	670
Other employee benefit expenses	31,196	11,377	42,573	17,519	3,455	20,974
Depreciation	59,843	3,892	63,735	58,286	3,267	61,553
Amortization	4,144	1,003	5,147	4,845	868	5,713

Note: The number of employees of the Group as at 2018 and 31 December 2017 was 1,033 and 864 respectively, including 9 non-employee directors.

A resolution was passed at a general shareholders' meeting of the Group held on 8 June 2016 to amend the Articles of Incorporation of the Group. According to the Articles of Incorporation, 1%~3% of profit of the current year is distributable as employees' compensation. However, the Group's accumulated deficits shall have been covered first. The Group may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the

total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on the profit level, the Group estimated the amounts of the employees' compensation for the year ended 31 December 2018 and the year ended 31 December 2017. The Group recognized NT\$160 thousand in 2018 and NT\$3,021 thousand in 2017. The amounts were recognized as salary expenses.

A resolution was passed at the board meeting held on 29 January 2019 to distribute employees' compensation in cash in the amount of NT160 thousand. No material differences existed between the estimated amount and the actual amount distributed for the year ended 31 December 2018.

The actual amount distributed as employees' compensation in 2017 was NT\$3,021 thousand. No material difference existed between the estimated amount and actual amount recognized in the financial statement for the year ended 2017.

19. Non-operating income and expenses

(1) Other income

	1 Jan.~31 Dec. 2018	1 Jan.~31 Dec. 2017
Rent income	\$487	\$487
Interest income	1,481	1,545
Other income-other	8,125	7,552
Total	<u>\$10,093</u>	<u>\$9,584</u>

(2) Other gains and losses

	1 Jan.~31 Dec. 2018	1 Jan.~31 Dec. 2017
(Loss) on disposal of property, plant and equipment	\$(62)	\$(110)
Foreign exchange (loss) gain -net	(449)	(1,089)
Miscellaneous Disbursements	(1,250)	(375)
Total	<u>\$(1,761)</u>	<u>\$(1,574)</u>

(3) Financial Cost

	1 Jan.~31 Dec. 2018	1 Jan.~31 Dec. 2017
Financial expense	\$(9,326)	\$(5,111)
Interest expense	(5,386)	(3,806)
Total	<u>\$(14,712)</u>	<u>\$(8,917)</u>

20. Components of Other Comprehensive Income (Loss)

For the year ended 31 December 2018

	Arising during the period	Income tax benefit (expense)	Other comprehensive income(loss), net of tax
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit pension plans	\$(9,947)	\$1,989	\$(7,958)
Items that will be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	114	(24)	90
Total	<u>\$(9,833)</u>	<u>\$1,965</u>	<u>\$(7,868)</u>

For the year ended 31 December 2017

	Arising during the period	Income tax benefit (expense)	Other comprehensive income(loss), net of tax
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of the defined benefit pension plans	\$(8,517)	\$1,448	\$(7,069)
Items that will be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	(305)	53	(252)
Total	<u>\$(8,822)</u>	<u>\$1,501</u>	<u>\$(7,321)</u>

21. Income Tax

Based on the amendments to the Income Tax Act announced on 7 February 2018, the Group's applicable corporate income tax rate for the year ended 31 December 2018 has changed from 17% to 20%. The corporate income surtax on undistributed retained earnings has changed from 10% to 5%.

The major components of income tax expense (benefit) were as follows:

Income tax expense recorded in profit or loss

	1 Jan.~31 Dec. 2018	1 Jan.~31 Dec. 2017
Current income tax expense (benefit):		

Current income tax payable	\$-	\$19,165
Adjustments in respect of current income tax of prior periods	1,474	1,731
Deferred income tax expense (benefit):		
Deferred income tax expense (benefit) related to origination and reversal of temporary differences	1,403	3,737
Deferred income tax expense (income) relating to changes in tax rate or the imposition of new taxes	(10,422)	-
Income tax expense	<u>\$(7,545)</u>	<u>\$24,633</u>

Income tax expense recorded in other comprehensive income

	1 Jan.~31 Dec. 2018	1 Jan.~31 Dec. 2017
Deferred income tax expense (benefit):		
Remeasurements of defined benefit pension plans	\$1,989	\$1,448
Exchange differences on translation of foreign operations	(24)	53
Income tax relating to components of other comprehensive income	<u>\$1,965</u>	<u>\$1,501</u>

A reconciliation between income tax expense and income before tax at applicable tax rate was as follows:

	1 Jan.~31 Dec. 2018	1 Jan.~31 Dec. 2017
Income before tax from continuing operations	<u>\$7,860</u>	<u>\$148,026</u>
At statutory income tax rate of 20%	\$1,572	\$25,164
Investment tax credits under Statue for Industrial Innovation this year	(187)	(2,940)
Tax effect due to non-deductible expenses	7	214
Deferred income tax related to changes in tax rates	(10,422)	-
10% income tax on unappropriated earnings	11	464
Adjustments in respect of current income tax of prior periods	1,474	1,731
Total of income tax expense recorded in profit or loss	<u>\$(7,545)</u>	<u>\$24,633</u>

Deferred income tax assets (liabilities) amounts relating to the following items:

For the year ended 31 December 2018

		Recognized	Recognized to other	
	Balance at beginning	to profit or loss	comprehensive income	Balance at end
Temporary difference				
Unrealized exchange loss	\$264	\$(159)	\$-	\$105
Allowance for doubtful debts	2,722	3,006	-	5,728
Allowance for losses on inventory market decline and obsolescence	19,039	3,848	-	22,887
Investments accounted for under the equity method	447	95	-	542
Impairment of available-for-sale financial asset	425	75	-	500
Impairment of property, plant and equipment	1,038	(24)	-	1,014
Temporary difference from unpaid expenses payable	4,265	(4,265)	-	-
Provisions- noncurrent	3,542	(3,542)	-	-
Net defined benefit liabilities (assets)	27,228	(909)	1,989	28,308
Loss Carryforwards	-	10,720	-	10,720
Tax credit of investment	-	176	-	176
Exchange difference on translation of foreign operation	86	-	(24)	62
Deferred income tax (expense)/benefit		<u>\$9,021</u>	<u>\$1,965</u>	
Deferred income tax assets-net	<u>\$59,056</u>			<u>\$70,042</u>
Information presented in the balance sheet is as follows:				
Deferred income tax assets	<u>\$59,056</u>			<u>\$70,042</u>
Deferred income tax liabilities	<u>\$-</u>			<u>\$-</u>

For the year ended 31 December 2017

		Recognized	Recognized to other	
	Balance at beginning	to profit or loss	comprehensive income	Balance at end
Temporary difference				
Unrealized exchange loss	\$204	\$60	\$-	\$264
Allowance for doubtful debts	1,856	866	-	2,722
Allowance for losses on inventory market decline and obsolescence	18,860	179	-	19,039
Investments accounted for under the equity method	433	14	-	447
Impairment of available-for-sale financial asset	425	-	-	425
Impairment of property, plant and equipment	1,248	(210)	-	1,038
Impairment of other assets	217	(217)	-	-
Temporary difference from unpaid expenses payable	5,606	(1,341)	-	4,265
Provisions- noncurrent	4,080	(538)	-	3,542
Net defined benefit liabilities (assets)	28,331	(2,551)	1,448	27,228
Exchange difference on translation of foreign operation	33	-	53	86
Deferred income tax (expense)/benefit		<u>\$(3,738)</u>	<u>\$1,501</u>	
Deferred income tax assets-net	<u>\$61,293</u>			<u>\$59,056</u>
Information presented in the balance sheet is as follows:				
Deferred income tax assets	<u>\$61,293</u>			<u>\$59,056</u>
Deferred income tax liabilities	<u>\$-</u>			<u>\$-</u>

Unrecognized deferred income tax assets

As of 31 December 2018 and 2017, the unrecognized deferred income tax assets of the Group separately were amounted to NT\$ 176 thousand and NT\$ 573 thousand.

The Group's earnings generated in the year ended 31 December 1997 and prior years were fully appropriated.

Approval of income tax returns

As of 31 December 2018, the Group's income tax returns for all the fiscal years up to 2016 were assessed and approved by the National Taxation Bureau of Southern Area.

22. Earnings Per Share

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year.

The calculation of diluted earnings per share is to divide the profit or loss for the period attributable to the ordinary equity holders of the parent Group (after adjusting the interests of convertible bonds) by the weighted average number of ordinary shares outstanding for the period, plus the weighted average ordinary shares which will be issued when all potential ordinary shares with dilutive effect are converted into ordinary shares.

	1 Jan.~31 Dec. 2018	1 Jan.~31 Dec. 2017
Basic earnings per share (in NT dollar)		
Income attributable to the Group's stockholders (thousand dollars)	\$15,405	\$123,393
Weighted-average number of ordinary shares for basic earnings per share (thousand shares)	121,601	107,830
Earnings per share — basic (in NT dollar)	\$0.13	\$1.14

VII. Related-Party Transactions

1. Key management personnel compensation

	1 Jan.~31 Dec. 2018	1 Jan.~31 Dec. 2017
Short-term employee benefits	\$16,571	\$8,863
Post-employment benefits	553	179
Total	\$17,124	\$9,042

VIII. Assets Pledged as Collateral

The Group has assets pledged as collateral as follows:

Item	Amount		Purpose of pledge
	31 Dec. 2018	31 Dec. 2017	
Refundable deposits-current	\$163,457	\$75,777	Guarantee Deposits
Refundable deposits-noncurrent (recognized as other noncurrent assets)	58,870	86,732	Guarantee Deposits
Property, plant and equipment-Land	255,076	255,076	Long-term loans
Property, plant and equipment-Buildings	246,860	260,936	Long-term loans
Total	<u>\$724,263</u>	<u>\$678,521</u>	

IX. Significant Contingencies and Unrecognized Contract

1. As of 31 December 2018, the maintenance bond and customs bond offered by banks were as follows:

Currency	Amount
NTD	\$1,652,489
USD	258 thousand

2. As of 31 December 2018, the Group provided performance bond as follows:

Group	Content	Amount
Aerospace Industrial Development Corporation	Performance Bond	\$271,280

X. Significant Disaster Loss

None.

XI. Significant Subsequent Events

None.

XII. Others

1. Categories of financial instruments

Financial Assets

	31 Dec. 2018	31 Dec. 2017
Loans and receivables	\$80,813	\$95,651
Cash and cash equivalents (excludes cash on hand)	163,457	75,777
Refundable deposits — current	58,870	86,732
Refundable deposits — noncurrent(recognized as other noncurrent assets)	802,754	724,162
Notes and accounts receivable-net	16,339	6,651
Total	<u>\$1,122,233</u>	<u>\$988,973</u>

Financial Liabilities

	31 Dec. 2018	31 Dec. 2017
Financial liabilities at amortized cost:		
Short-term loans	\$722,075	\$30,000
Short-term notes and bills payable	229,925	-
Accounts payable	215,283	128,940
Other payables	201,436	236,604
Long-term loans (current portion included)	199,999	66,666
Total	<u>\$1,568,718</u>	<u>\$462,210</u>

2. Financial risk management objectives

The Group's risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies measures and manages the aforementioned risks based on policy and risk preference.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant financial activities, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

3. Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise currency risk, interest rate risk, and other price risk (such as equity price risk). In practice, it is unlikely that changes in a single risk variable would occur in isolation of one another; there are usually interdependencies between risk variables. However, the following sensitivity analysis of each risk does not consider the interdependencies between relevant risk variables.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has foreign currency risk arising from purchases or sales and applies natural hedges. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Group's foreign currency risk is mainly affected by USD. Sensitivity analysis was as follows:

31 Dec.2018					
Foreign currency	Carrying amount			Sensitivity analysis	
	Foreign currency (thousand)	foreign exchang e rates	NTD	Foreign currency movement	Benefit /(loss)
Financial asset					
Currency item					
USD	\$2,719	30.665	\$83,378	increase1%	\$834
Financial liability					
Currency item					
USD	1,727	30.765	53,131	increase 1%	(531)

31 Dec.2017

Foreign currency	Carrying amount			Sensitivity analysis	
	Foreign currency (thousand)	foreign exchange rates	NTD	Foreign currency movement	Benefit /(loss)
Financial asset					
Currency item					
USD	\$2,930	29.71	\$87,050	increase 1%	\$871
Financial liability					
Currency item					
USD	1,818	29.81	54,195	increase 1%	(542)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans and receivables at floating interest rates, bank borrowings with fixed interest rates and floating interest rates.

The Group manages the risk of interest rate by maintaining an appropriate combination of fixed and floating interest rates, which however, is not suitable for hedge accounting as it does not comply with the rules of hedge accounting.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with floating interest rates and interest rate swaps. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the years ended 31 December 2018 and 2017 to decrease/increase by NT\$1,071 thousand and NT\$1 thousand, respectively.

4. Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

As of 31 December 2018 and 2017, accounts receivables from top ten customers represented 89% and 91% of the total accounts receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks

and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

The Group adopted IFRS 9 to assess the expected credit losses since 1 January 2018.

	Indicator	Loss ratio	Measurement method for expected credit losses
Credit risk significantly increased	Contract payment overdue 90~365 days	20%~50%	Lifetime expected credit losses
Credit-impaired	Contract payment overdue 365 days		Lifetime expected credit losses
	Other impaired evidence	100%	

Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

When the credit risk on debt instrument investment has increased, the Group will dispose that investment in order to minimize the credit losses. When assessing the expected credit losses in accordance with IFRS 9, the evaluation of the forward-looking information (available without undue cost and effort) is mainly based on the macroeconomic information and the credit loss ratio is further adjusted if there is significant impact from forward-looking information.

5. Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents and bank borrowings. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with floating interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial instruments

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	>5 years	Total
31 Dec. 2018							
Loans	\$739,410	\$56,384	\$55,647	\$38,329	\$37,819	\$-	\$927,589
Short-term notes and bills payable	229,925	-	-	-	-	-	229,925
Payables	416,719	-	-	-	-	-	416,719
31 Dec. 2017							
Loans	\$47,488	\$17,262	\$17,035	\$16,808	\$-	\$-	\$98,593
Payables	365,508	-	-	-	-	-	365,508

6. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended 31 December 2018:

	Short-term borrowings	Long-term borrowings	Short-term notes and bills payable	Total liabilities from financing activities
As at 1 Jan. 2018	\$30,000	\$66,666	\$-	\$96,666
Cash flows	692,075	133,333	229,925	1,055,333
As at 31 Dec. 2018	<u>\$722,075</u>	<u>\$199,999</u>	<u>\$229,925</u>	<u>\$1,151,999</u>

Reconciliation of liabilities for the year ended 31 December 2017:

None.

7. Fair value of financial instruments

(1)The methods and assumptions applied in determining the fair value of financial instruments:

The fair value of the financial assets and liabilities represents the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a force or liquidation sale. The following methods and assumptions were used to estimate the fair values:

A. The book values of short-term financial instruments approximate their fair value due to their short maturities. Short-term financial instruments include cash and cash equivalents, Debt instrument investments for which no active market exists, receivables, payables and other current liabilities.

B. The fair value of short-term borrowings and long-term borrowings (including current portion) are estimated by the carrying amount. As the Group's loan applied short-term revolving borrowings are used in floating interest rates, which have been adjusted with the market status, and thus the rate of the Group's borrowings shall be similar to the market rate.

C. The fair value of guarantee deposits paid is estimated by the carrying amounts, since the expected future received or paid amounts are similar to the carrying amounts.

8. Fair value measurement hierarchy

(1) Fair value measurement hierarchy

All assets and liabilities for which fair value are measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 - Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(2) Information of fair value measurement hierarchy: None.

9. Significant assets and liabilities denominated in foreign currencies

The Group's significant assets and liabilities denominated in foreign currencies were as follows:

Units: in thousands			
31 Dec. 2018			
	Foreign Currency	Exchange Rate	NTD
<u>Financial Assets</u>			
Monetary items:			
USD	\$2,719	30.665	\$83,378
<u>Financial Liabilities</u>			
Monetary items:			
USD	\$1,727	30.765	\$53,131
31 Dec. 2017			
	Foreign Currency	Exchange Rate	NTD
<u>Financial Assets</u>			
Monetary items:			
USD	\$2,930	29.71	\$87,050

Financial Liabilities

Monetary items:

USD	\$1,818	29.81	\$54,195
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The Group has various functional currencies; no information about the foreign exchange gains or losses by a specific currency is available. For the years ended 31 December 2018 and 2017, the foreign exchange gains or (losses) on monetary financial assets and financial liabilities were amounted to NT\$(449) thousand and NT\$(1,089) thousands, respectively.

10.Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

11.Others

Four employees of the Group were prosecuted for forgery and fraud by the Tainan District Prosecutors Office on 25 June 2009. The four individuals were found innocent at the first instance court on 1 March 2016. The prosecutor appealed on 27 April 2016. The Taiwan High Court, Tainan Branch rejected the appeal and the defendants were acquitted on 18 August 2017.

XIII. Additional disclosures

1.The additional disclosures for the Group and its affiliates listed below are required by the R.O.C. Securities and Futures Bureau:

(1) Financing provided to others for the year ended 31 December 2018: None.

(2) Endorsement/Guarantee provided to others for the year ended 31 December 2018: None.

(3) Securities held as of 31 December 2018 (excluding subsidiaries, associates and joint venture): None.

(4) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended 31 December 2018: None.

(5) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended 31 December 2018: None.

(6) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended 31 December 2018: None.

(7) Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended 31 December 2018: None.

(8) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of 31 December 2018: None.

(9) Financial instruments and derivative transactions: None.

2. Transfer investment related information

(1) The investee company has significant influence or controller directly or indirectly: None.

(2) If the investee company has direct or indirect control, it must disclose the information of the invested Group engaged in the first to ninth transactions of the preceding paragraph: None.

3. Investment in Mainland China: None.

XIV. Operating segment information

1. The information of the segment's revenue, income, assets and liabilities

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 parent company is a single operating department for the years ended 31 December 2018 and 2017. The measurement basis for the income, profit and loss, assets and liabilities of the operating divisions for the year can be based on the consolidated balance sheet and consolidated income statement of 31 December 2018 and 2017.

2. Geographic information:

From outside client revenue:

Country	31 Dec. 2018	31 Dec. 2017
Taiwan	\$2,234,871	\$1,700,866
Others	484,483	716,878
Total	\$2,719,354	\$2,417,744

Non-current assets:

Country	31 Dec. 2018	31 Dec. 2017
Taiwan	\$914,515	\$920,556
America	-	-
Total	\$914,515	\$920,556

3. Important client information:

	31 Dec. 2018		31 Dec. 2017	
	Amount	% of net sales revenue	Amount	% of net sales revenue
Client A	\$1,116,919	42%	\$-	-%
Client B	462,592	17%	826,782	34%
Client C	292,470	11%	377,142	16%
Client D	166,205	6%	-	-%
	\$2,038,186	76%	\$1,203,924	50%

v. Parent company only financial statement for the most recent fiscal year

Independent Auditors' Report Translated from Chinese

To AIR ASIA CO., LTD.

Opinion

We have audited the accompanying parent company only balance sheets of AIR ASIA CO., LTD. (the "Company") as of December 31, 2018 and 2017, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the parent company only financial statements, including the summary of significant accounting policies (together "the parent company only financial statements").

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and cash flows for the years ended December 31, 2018 and 2017, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 2018 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue Recognition

The Company's aircraft maintenance service and aircrafts business maintenance management contracts recognized revenue when a performance obligation been satisfied over time. This method calculates the percentage of completion by the actual input of materials or labors in each contract. As the calculation of percentage of completion is complicated and estimating cost involves management's material judgment, we considered this a key audit matter.

Our audit procedures included, but were not limited to, assessing and testing the effectiveness of the internal control design and execution regarding revenue recognition, selecting samples to perform test of details, including reviewing revenue recognition terms and conditions of contracts, comparing the actual cost and projected costs to verify the reasonableness of total cost estimates, and testing the material requisition record and employee time record to verify the correctness of actual input and verify the correctness of the amount of revenue recognized. We also assessed the adequacy of revenue recognition. Please refer to Notes IV, V and VI to the Company's parent company only financial statements.

2. Valuation for slow-moving inventories

As of December 31, 2018, the Company's net material inventories amounted to NT\$267,635 thousand, which was material to the financial statement. The Company's raw material may become slow-moving inventory with the related model phase-out. Management needs to assess the adequacy of write-downs of slow-moving inventories. As identification of slow-moving inventories of the amount of inventory write downs involved management's material judgment, we considered this a key audit matter.

Our audit procedures included, but not limited to, evaluating and testing the design and operating effectiveness of internal controls around slow-moving inventories, testing the evaluation basis of write-downs from slow-moving inventories and the reasonableness of reserve ratio, testing the correctness of slow-moving inventory breakdown and the calculation of inventory aging. We also assessed the adequacy of disclosures of slow-moving inventories. Please refer to Notes IV, V and VI to the Company's parent company only financial statements.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company.

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

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

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

7. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
8. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
9. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
10. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
11. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
12. Obtain sufficient appropriate audit evidence regarding the financial information of the entities

or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2018 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Emphasis of Matters-Applied the New Standards

As stated in Note 3 of the consolidated financial statements, the Company applied the International Financial Reporting Standard 9, "Financial Instruments" and 15, "Revenue from Contracts with Customers" on 1 January 2018.

Lin, Su Wen

Yang, Chih Hui

Ernst & Young, Taiwan.

29 January 2019

Notice to Readers

The accompanying financial statements are intended only to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China on Taiwan and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

AIR ASIA CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS

As of December 31, 2018 and 2017

(Expressed in Thousand of New Taiwan Dollars)

Assets	Notes	December 31, 2018	December 31, 2017
Current Assets			
Cash and cash equivalents	IV/VI	\$79,808	\$94,608
Contract assets, current	IV/VI	333,180	-
Notes and accounts receivable-Net	IV/VI	802,754	724,162
Other receivable-current		16,339	6,651
Inventories-Net	IV/V/VI	1,036,084	304,866
Prepayments		66,957	17,762
Refundable deposits-current	VIII	163,457	75,777
Other current assets		237	-
Total current assets		2,498,816	1,223,826
Non-current Assets			
Investments accounted for under the equity method	IV/XIII	3,598	3,567
Property, plant and equipment	IV/VI/VIII	709,079	712,843
Intangible assets	IV/VI	2,870	3,327
Deferred income tax assets	IV/VI	70,042	59,056
Incremental costs of obtaining contracts		45,634	-
Other noncurrent assets	VI/VIII	86,890	145,330
Total non-current assets		918,113	924,123
Total Assets		\$3,416,929	\$2,147,949

(The accompanying notes are an integral part of the parent company only financial statements.)

PARENT COMPANY ONLY BALANCE SHEETS

As of December 31, 2018 and 2017

(Expressed in Thousand of New Taiwan Dollars)

Liabilities and Equity	Notes	December 31, 2018	December 31, 2017
Current Liabilities			
Short-term loans	IV/VI	\$722,075	\$30,000
Short-term notes and bills payable	IV/VI	229,925	-
Contract liabilities, current	IV/VI	1,114	-
Accounts payable		215,283	128,940
Other payables	VI	201,436	236,568
Income tax payable	IV/VI	-	2,207
Provisions-current	IV/V/VI	19,112	36,633
Advance receipts		-	22,098
Current portion of long-term loans	IV/VI	16,667	16,667
Other current liabilities		10,387	5,210
Total current liabilities		1,415,999	478,323
Non-current Liabilities			
Long-term loans-excluding current portion	IV/VI/VIII	183,332	49,999
Provisions-noncurrent	IV/V/VI	-	2,332
Net defined benefit liabilities- noncurrent	IV/V/VI	141,541	160,163
Total non-current liabilities		324,873	212,494
Total Liabilities		1,740,872	690,817
Equity			
Common stock	VI	1,222,080	1,078,296
Capital surplus	VI	365,749	153,095
Retained earnings	VI		
Legal reserve		117,066	104,727
Unappropriated earnings		12,196	120,965
Total retained earnings		129,262	225,692
Other component of equity		139	49
Treasury stock		(41,173)	-
Total Equity		1,676,057	1,457,132
Total Liabilities and Equity		\$3,416,929	\$2,147,949

(The accompanying notes are an integral part of the parent company only financial statements.)

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

AIR ASIA CO., LTD.

PARENT COMPANY ONLY OF COMPREHENSIVE INCOME

For the years ended December 31, 2018 and 2017

(Expressed in Thousand of New Taiwan Dollars Except for Earnings Per Share)

ITEMS	NOT ES	For the year ended Dec. 31, 2018	For the year ended Dec. 31, 2017
Operating Revenue	IV/VI	\$2,719,354	\$2,417,744
Operating Cost	VI	(2,407,030)	(2,023,450)
Net Operating Margin		312,324	394,294
Operating Expenses	VI		
Selling expenses		(62,767)	(51,354)
General and administrative expenses		(200,303)	(169,692)
Research and development expenses		(22,306)	(24,231)
Expected credit losses		(12,625)	-
Total operating expenses		(298,001)	(245,277)
Operating Income		14,323	149,017
Non-operating Income and Expenses	VI		
Other revenue		10,093	9,584
Other gains and losses		(1,761)	(1,574)
Interest expense		(14,712)	(8,917)
Share of loss of subsidiaries, associates and joint ventures		(83)	(84)
Total non-operating income and expenses		(6,463)	(991)
Income from Continuing Operations before Income Tax		7,860	148,026
Income Tax benefit (Expense)	IV/VI	7,545	(24,633)
Net Income		\$15,405	\$123,393
Other comprehensive income	VI		
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of the defined benefit pension plans		(9,947)	(8,517)
Income tax related to items that will not be reclassified		1,989	1,448
Items that will be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		114	(305)
Income tax related to items that may be reclassified		(24)	53
Total other comprehensive income(loss), net of tax		(7,868)	(7,321)
Total comprehensive income		\$7,537	\$116,072
Net income attributable to:			
Stockholders of the parent		\$15,405	\$123,393
Comprehensive income attributable to:			
Stockholder of the parent		\$7,537	\$116,072
Earnings Per Share			
Basic earnings per share (in NT Dollar)	VI	\$0.13	\$1.14

(The accompanying notes are an integral part of the parent company only financial statements)

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

AIR ASIA CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2018 and 2017

(Expressed in Thousand of New Taiwan Dollars)

Item	Equity attributable to the parent company						Treasury stock	Total Equity
	Stock		Capital Surplus	Retained Earnings		Other Equity		
	Common Stock	Advance Receipts for Common Stock		Legal Reserve	Unappropriated Earnings/ Accumulated deficits	Exchange Differences on Translation of Foreign Operations		
Balance as of January 1, 2017	\$1,058,296	\$179	\$138,095	\$85,168	\$191,336	\$301	\$ -	\$1,473,375
Appropriations of 2016 earnings								
Legal reserve	-	-	-	19,559	(19,559)	-	-	-
Cash dividends	-	-	-	-	(167,136)	-	-	(167,136)
Net income for the year ended December 31, 2017	-	-	-	-	123,393	-	-	123,393
Other comprehensive income(loss) for the year ended December 31, 2017	-	-	-	-	(7,069)	(252)	-	(7,321)
Total comprehensive income	-	-	-	-	116,324	(252)	-	116,072
Issuance of Common Stock	20,000	(179)	15,000	-	-	-	-	34,821
Balance as of December 31, 2017	\$1,078,296	\$-	\$153,095	\$104,727	\$120,965	\$49	\$-	\$1,457,132
Balance as of January 1, 2018	\$1,078,296	\$-	\$153,095	\$104,727	\$120,965	\$49	\$ -	\$1,457,132
Appropriations of 2017 earnings								
Legal reserve	-	-	-	12,339	(12,339)	-	-	-
Cash dividends	-	-	(48,883)	-	(103,877)	-	-	(152,760)
Net income for the year ended December 31, 2018	-	-	-	-	15,405	-	-	15,405
Other comprehensive income(loss) for the year ended December 31, 2018	-	-	-	-	(7,958)	90	-	(7,868)
Total comprehensive income	-	-	-	-	7,447	90	-	7,537
Issuance of Common Stock	143,784	-	261,537	-	-	-	-	405,321
Treasury stock acquired	-	-	-	-	-	-	(41,173)	(41,173)
Balance as of December 31, 2018	\$1,222,080	\$-	\$365,749	\$117,066	\$12,196	\$139	\$(41,173)	\$1,676,057

(The accompanying notes are an integral part of the parent company only financial statements)

Note : Employees' compensation for the year ended December 31, 2018 were to NT\$160. It had been deducted from comprehensive income of parent company only financial statement.

Employees' compensation for the year ended December 31, 2017 were to NT\$3,021. It had been deducted from comprehensive income of parent company only financial statement.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

AIR ASIA CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the years ended December 31, 2018 and 2017

(Expressed in Thousand of New Taiwan Dollars)

ITEMS	For the year ended Dec. 31, 2018	For the year ended Dec. 31, 2017	ITEMS	For the year ended Dec. 31, 2018	For the year ended Dec. 31, 2017
Cash Flow from Operating Activities:			Cash Flow from Investing Activities:		
Net income before tax	\$7,860	\$148,026	Acquisition of property, plant and equipment	(46,813)	(34,133)
Adjustments to reconcile net income before income tax to net cash provided by operating activities:			Increase in refundable deposits	(59,818)	(12,911)
Depreciation	63,735	61,553	Acquisition of intangible assets	(4,690)	(5,088)
Amortization	5,147	5,713	Increase in other noncurrent assets	(40,413)	(11,364)
Excepted credit losses/Bad debt expense	12,625	5,097	Net cash (used in) investing activities	(151,734)	(63,496)
Interest expense	5,386	3,806			
Interest revenue	(1,481)	(1,545)	Cash Flow from Financing Activities:		
Share of loss of subsidiaries, associates and joint ventures	83	84			
Loss on disposal of property, plant and equipment	62	845	Increase in short-term loans	692,075	10,000
Contract assets	(333,180)	-	Increase in short-term notes and bills payable	229,925	-
Notes and accounts receivable-net	(91,217)	(26,259)	Preceeds from long-term loans	150,000	-
Other receivable-current	(9,838)	(4,559)	Repayments of long-term loans	(16,667)	(16,667)
Inventories-net	(731,218)	102,605	Cash dividends	(152,760)	(167,136)
Prepayments	(49,195)	24,966	Issuance of common stock for cash	405,321	34,821
Incremental cost of obtaining contracts	150	-	Treasury stock acquired	(41,173)	-
Contract liabilities	12,137	(48,526)	Net cash provided by (used in) financing activities	1,266,721	(138,982)
Other noncurrent assets	1,114	-			
Accounts payable	86,343	(14,883)	Net Decrease in Cash and Cash Equivalents	(14,800)	(53,273)
Other payables	(35,369)	(18,841)			
Provision	(19,853)	(3,312)	Cash and Cash Equivalents at Beginning of Year	94,608	147,881
Advance receipts	(22,098)	(32,371)	Cash and Cash Equivalents at End of Year	\$79,808	\$94,608
Other current liabilities	5,177	(49)			
Net defined benefit liabilities	(28,569)	(15,005)			
Cash generated from operations	(1,122,199)	187,345			
Interest received	1,631	1,643			
Interest paid	(5,149)	(3,824)			
Income tax paid	(4,070)	(35,959)			
Net cash (used in) provided by operating activities	(1,129,787)	149,205			

(The accompanying notes are an integral part of the parent company only financial statements)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

AIR ASIA CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

For the Years Ended 31 December 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Stated)

I. Organization and Business

AIR ASIA CO., LTD. (the “Company”) was incorporated under the relevant laws of Republic of China (the “R.O.C.”) on 19 January 1955. The Company’s registered and operating address is No. 1050, Jichang Rd., Rende Dist., Tainan City, Taiwan, R.O.C. The Company’s principal activities consist of maintenances, renovation, upgrades and integrated logistic support services for the aircraft and related components.

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

II. Date and Procedures of Authorization of Financial Statements for Issue

The parent company only financial statements of the Company for the years ended 31 December 2018 and 2017 were authorized for issue in accordance with a resolution of the Board of Directors’ meeting on 29 January 2019.

III. Newly issued or revised standards and interpretations

4. Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2018. The nature and the impact of each new standard and amendment that has a material effect on the Company is described below:

(4) IFRS 15 “Revenue from Contracts with Customers” (including Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”)

IFRS 15 replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations. In accordance with the transition provision in IFRS 15, the Company elected to recognize the cumulative effect of initially applying IFRS 15 at the date of initial application (1 January 2018). The Company also elected to apply this standard retrospectively only to contracts that are not completed contracts at the date of initial application.

The Company's principal activities consist of the sale of goods and rendering of services. The impacts arising from the adoption of IFRS 15 on the Company are summarized as follows:

D. Please refer to Note IV for the accounting policies before or after 1 January 2018.

E. Some of the current contracts of the Company recognized revenue in accordance with IFRS 15, as the Company transfers service over time and meets performance obligation, the customer simultaneously receives and consumes the benefits provided by the Company's performance, the other entity does not require to re-perform the work currently completed by the Company. It satisfies a performance obligation and recognizes revenue over time. IFRS 15 has no impact on the Company's revenue recognition from rendering of services. However, for some contracts, the performance obligations were met but does not has a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets, which is different from the accounting treatment of recognizing trade receivables before the date of initial application. Besides, loss allowance for contract assets was assessed in accordance with IFRS 9. To compare with the requirements of IAS 18, the trade receivables decreased by NT\$333,180 thousand and the contract assets increased by NT\$333,180 thousand as at 31 December 2018. However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, then the company has the obligation to provide the services subsequently. Before 1 January 2018, the Company recognized the consideration received in advance from customers under other current liabilities. Starting from 1 January 2018, in accordance with IFRS 15, it should be recognized as contract liabilities. Compared with the requirements of IAS 18, Advance receipts decreased by NT\$1,114 thousand and the contract liabilities increased by NT\$1,114 thousand as at 31 December 2018.

F. Please refer to Notes IV, V and VI for additional disclosure note required by IFRS 15.

(5) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*. In accordance with the transition provision in IFRS 9, the Company elected not to restate prior periods at the date of initial application (1 January 2018). The adoption of IFRS 9 has the following impacts on the Company:

E.The Company adopted IFRS 9 since 1 January 2018 and it adopted IAS 39 before 1 January 2018. Please refer to Note VI for more details on accounting policies.

F.In accordance with the transition provision in IFRS 9, the assessment of the business model and classification of financial assets into the appropriate categories are based on the facts and circumstances that existed as at 1 January 2018. The classifications of financial assets and their carrying amounts have no difference as those under IFRS 9. The measurement categories are as follows:

IAS 39		IFRS 9	
Measurement categories	Carrying amounts	Measurement categories	Carrying amounts
At amortized cost		At amortized cost	
Cash and cash equivalents	\$79,808	Cash and cash equivalents	\$79,808
Notes and accounts receivable-Net	802,754	Notes and accounts receivable-Net	802,754
Other receivables	16,339	Other receivables	16,339
Total	<u>\$898,901</u>	Total	<u>\$898,901</u>

G.In accordance with IAS 39, the cash flow characteristics for loans and receivables are solely payments of principal. The assessment of the business model is based on the facts and circumstances that existed as at 1 January 2018. These financial assets were measured at amortized cost as they were held within a business model whose objective was to hold financial assets in order to collect contractual cash flows. Besides, in accordance with IFRS 9, no adjustment arose from the assessment of impairment losses for the aforementioned assets as at 1 January 2018. Therefore, there is no impact on the carrying amount as at 1 January 2018.

H.Please refer to Note IV, Note VI and Note XII for the related disclosures required by IFRS 7 and IFRS 9.

(6)Disclosure Initiative — Amendment to IAS 7 “Statement of Cash Flows”:

The Company required to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Please refer to Note XII for more details.

5. Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 16 “Leases”	1 January 2019
b	IFRIC 23 “Uncertainty Over Income Tax Treatments”	1 January 2019
c	IAS 28 “Investment in Associates and Joint Ventures” — Amendments to IAS 28	1 January 2019
d	Prepayment Features with Negative Compensation (Amendments to IFRS 9)	1 January 2019
e	Improvements to International Financial Reporting Standards (2015-2017 cycle)	1 January 2019
f	Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	1 January 2019

(7) IFRS 16 “Leases”

The new standard requires lessees to account for all leases under one single accounting model (except for short-term or low-value asset lease exemptions), which is for lessees to recognize right-of-use assets and lease liabilities on the balance sheet and the depreciation expense and interest expense associated with those leases in the consolidated statements of comprehensive income. Besides, lessors’ classification remains unchanged as operating or finance leases, but additional disclosure information is required.

(8) IFRIC 23 “Uncertainty Over Income Tax Treatments”

The Interpretation clarifies application of recognition and measurement requirements in IAS 12 “Income Taxes” when there is uncertainty over income tax treatments.

(9) IAS 28 “Investment in Associates and Joint Ventures” — Amendments to IAS 28

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture before it applies IAS 28, and in applying IFRS 9, does not take account of any adjustments that arise from applying IAS 28.

(10)*Prepayment Features with Negative Compensation (Amendments to IFRS 9)*

The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract, to be measured at amortized cost or at fair value through other comprehensive income.

(11)*Improvements to International Financial Reporting Standards (2015-2017 cycle):*

IFRS 3 “Business Combinations”

The amendments clarify that an entity that has joint control of a joint operation shall remeasure its previously held interest in a joint operation when it obtains control of the business.

IFRS 11 “Joint Arrangements”

The amendments clarify that an entity that participates in, but does not have joint control of, a joint operation does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

IAS 12 “Income Taxes”

The amendments clarify that an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

IAS 23 “Borrowing Costs”

The amendments clarify that an entity should treat as part of general borrowings any borrowing made specifically to obtain an asset when the asset is ready for its intended use or sale.

(12)*Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)*

The amendments clarify that when a change in a defined benefit plan is made (such as amendment, curtailment or settlement, etc.), the entity should use the updated assumptions to remeasure its net defined benefit liability or asset.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2019. Apart from item (1) explained below, the remaining standards and interpretations have no material impact on the Company:

(1)IFRS 16 “Leases”

IFRS 16 “Leases” replaces IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC-15 “Operating Leases - Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”. The impact arising from the adoption of IFRS 16 on the Company are summarized as follows:

B. With respect to the definition of a lease, the Company elects not to reassess whether a contract is, or contains, a lease at the date of initial application (1 January 2019) in accordance with the transition provision in IFRS 16. The Company adopted IFRS 16 to contracts that were previously identified as leases while applying IAS 17 and IFRIC 4; contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4, are not applicable under IFRS 16.

The Company is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Company recognized the cumulative effect of initially applying IFRS 16 on 1 January 2019 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

(b) Leases classified as operating leases

For leases that were classified as operating leases adopting IAS 17, the Company expects to measure and recognize those leases as lease liability on 1 January 2019 at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on 1 January 2019 and; the Company chooses, on a lease-by-lease basis, to measure the right-of-use asset on the lease liability.

The Company expects the right-of-use asset will increase by NT\$284,974 thousand and the lease liability will increase by NT\$284,974 thousand on 1 January 2019. No adjustment to the opening balance of retained earnings.

The additional disclosures of lessee and lessor required by IFRS 16 will be disclosed in the relevant notes.

6. Standards or interpretations issued, revised or amended, by IASB but not yet endorsed by FSC at the date of issuance of the Company's financial statements are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 "Insurance Contracts"	1 January 2021
c	Definition of a Business (Amendments to IFRS 3)	1 January 2020
d	Definition of Material (Amendments to IAS 1 and 8)	1 January 2020

(10) IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

The effective date of the amendments has been postponed indefinitely, but early adoption is allowed.

(11) IFRS 17 “*Insurance Contracts*”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a Company of insurance contracts at the total of the fulfilment cash flows and the contractual service margin.

The fulfilment cash flows comprise of the following:

D. estimates of future cash flows;

E. Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and

F. a risk adjustment for non-financial risk.

The carrying amount of a company insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

(12) *Definition of a Business* (Amendments to IFRS 3)

The amendments clarify the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. IFRS 3 continues to adopt a market participant’s perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.

(13) *Definition of a Material* (Amendments to IAS 1 and 8)

The main amendment is to clarify new definition of material. It states that “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it

could reasonably be expected to influence decisions made by the primary users. The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The abovementioned standards and interpretations issued by IASB have no material impact on the Company.

IV. Summary of Significant Accounting Policies

1. Statement of Compliance

The Company's parent company only financial statements as of 31 December 2018 and 2017 were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

2. Basis of Preparation

The parent company only financial statements were prepared in accordance with the Regulations. According to Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statement shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

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

3. Foreign Currency Transactions

The functional currency presented in the Company's parent company only financial statements is New Taiwan Dollars ("NT Dollars" or "NT\$").

Transactions in foreign currencies are initially recorded by the Company in the functional currency rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Non-monetary items that are measured at fair value in a foreign currency should be translated using the exchange rates at the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- (1) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (2) Foreign currency items within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are accounted for based on the accounting policy for financial instruments.
- (3) Exchange differences arising on a monetary item that forms part of a reporting entity’s net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

4. Translation of financial statements in foreign currency

Every foreign operating entity of the Company determines its own functional currency, and measures its financial statements by such functional currency. The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. On the partial disposal of a foreign operation that result in a loss of control, loss of significant influence or joint control but retains partial equity, it is considered as disposal.

On partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

5. Current and non-current distinction

An asset is classified as current when:

- (1) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- (2) The Company holds the asset primarily for the purpose of trading
- (3) The Company expects to realize the asset within twelve months after the reporting period.
- (4) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

6. Cash and Cash Equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

7. Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments (Before 1 January 2018: IAS 39 Financial Instruments: Recognition and Measurement) are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(1) Financial instruments: Recognition and Measurement

The accounting policy from 1 January 2018 as follow:

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- C.the Company's business model for managing the financial assets and
- D.the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

- C.the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- D.the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

The accounting policy before 1 January 2018 as follow:

The Company accounts for regular way purchase or sales of financial assets on the trade

date.

Financial assets of the Company are classified as loans and receivables. The Company determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company upon initial recognition designates as available for sale, classified as at fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment.

Loans and receivables are separately presented on the balance sheet as receivables or debt instrument investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

(2) Impairment of financial assets

The accounting policy from 1 January 2018 as follow:

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured financial asset measured at amortized cost.

The Company measures expected credit losses of a financial instrument in a way that reflects:

- D.an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- E.the time value of money; and
- F.reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial

recognition. Please refer to Note XII for further details on credit risk.

The accounting policy before 1 January 2018 as follow:

The Company assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset impaired, other than receivables impaired which are reduced through the use of an allowance account, is reduced directly and the amount of the loss is recognized in profit or loss.

The loss events of the financial assets include:

- A. significant financial difficulty of the issuer or obligor; or
- B. a breach of contract, such as a default or delinquency in interest or principal payments; or
- C. it becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- D. the disappearance of an active market for that financial asset because of financial difficulties.

For loans and receivables measured at amortized cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Company of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or

reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

(3) Derecognition of financial assets

Financial asset is derecognized when:

- A. The contractual rights to receive cash flows from the asset have expired.
- B. The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
- C. The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(4) Financial Liabilities and Equity

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments (before 1 January 2018: IAS 39 Financial Instruments: Recognition and Measurement) are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities carried at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and

borrowings that are subsequently measured using the EIR method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(5) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

8. Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials – Actual purchase cost on weighted average method

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less

estimated costs of completion and the estimated costs necessary to make the sale.

9. Long-term Investments Accounted for under the Equity Method

The Company's investments in subsidiaries are presented based on Article 21 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers "Investments accounted for using the equity method" with necessary valuation adjustments. As a result, the profit or loss for the period and other comprehensive income in the parent company only financial statements are the same as the allocation amount of profit or loss for the period and other comprehensive income attributable to stockholders of the parent company in financial statements under consolidated basis, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to stockholders of the parent company presented in the consolidated financial statements. Such adjustment is made considering the investments in subsidiaries in consolidated financial statements pursuant to TIFRS No. 10 "Consolidated Financial Statements" and the differences occurred when applying TIFRS to different reporting entities, which also debit or credit "Investments Accounted for under the Equity Method", "Subsidiaries, Associates, and Joint Ventures Amounts in Profit or Loss under the Equity Method" or "Subsidiaries, Associates, and Joint Ventures Amounts in Comprehensive Income under the Equity Method".

The Company's investments in associates are accounted for using the equity method, except for those that meet the criteria to be classified as assets held for sale. Associates shall refer to entities that the Company has significant influences on.

Under the equity method, the investment in the associate is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate. After the interest in the associate is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the Company's related interest in the associate.

When changes in the net assets of an associate occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Company's percentage of ownership interests in the associate, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate on a pro-rata basis.

When the associate issues new stock, and the Company's interest in an associate is reduced or increased as the Company fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in "Additional Paid in Capital" and "Investment Accounted for Using the Equity

Method.” When the interest in the associate is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate.

The financial statements of the associate are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired in accordance with IAS 39 “Financial Instruments: Recognition and Measurement”. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the ‘share of profit or loss of an associate’ in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Company estimates:

- (1) Its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- (2) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

The Company measured and recognized the retained investment at fair value upon loss of significant influence over an associate. Any difference between the carrying amount of the investment in an associate upon loss of significant influence and the fair value of the retained investment plus proceeds from disposal will be recognized in profit or loss.

10. Property, Plant and Equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 Property, plant and equipment. When a major inspection is performed, its cost is recognized

in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Item	Useful life
Buildings and structures	3~40 years
Machinery and equipment	2~20 years
Transportation equipment	5~20 years
Office equipment	2~13 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and the differences resulted from the previous estimation are recorded as changed in accounting estimates.

11. Leases

Company as a lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

12. Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and

expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss.

The Company's intangible assets accounting policies are as follows:

	Software	Acquired special technology
Useful life	Limited useful life of 1~5 years	Limited useful life of 1~9 years
Amortization methods	Straight-line method	Straight-line method
Internally generated or outside acquisition	Outside Acquisition	Outside Acquisition

13. Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is any indication that an asset in the scope of IAS 36 Impairment of Assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company completes impairment testing for the cash-generating unit ("CGU") to which the individual assets belong. Where the carrying amount of an asset or a CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount of an individual asset or a CGU is the higher of its fair value less costs to sell and its value in use.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which

in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

14. Provision

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provision of Maintenance Warranties

Provision of maintenance warranties is estimated based on the terms of the product sales contracts and the best estimates made by the management on account of the future outflow of economic benefits from the maintenance warranty obligation (on the basis of historical warranty experiences).

Provision of Restoration and Repair

The Tainan maintenance base of the Company was declared by the Tainan city government as soil pollution control site and designated as the soil pollution control area. Provisions will arise to recover the site and will be recognized in the amount of the best estimates based on the related expenses expected in the obligation to improve the site. The above improvement work had been finished in 2018.

15. Revenues Recognition

The accounting policy from 1 January 2018 as follows:

The Company's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follows:

Sale of goods

The Company sells goods. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers (the ability of the customer to lead the use of the commodity and obtain almost all of the remaining benefits of the commodity).

The Company provides its customer with a warranty with the purchase of the products. The warranty provides assurance that the product will operate as expected by the customers. The warranty is treated in accordance with IAS 37.

The credit period of the Company's sale of goods is from 15 to 60 days. For most of the contracts, when the Company transfers control of the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Company usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract.

Rendering of services

Some of the current contracts of the Company recognized revenue in accordance with IFRS 15, as the Company transferred services over time and meets performance obligation, the client simultaneously receives and consumes the benefits provided by the Company's performance. The other entity has almost no need to re-perform the work currently completed by the Company. The Company recognizes revenue when a performance obligation is satisfied over time.

For some contracts, when the Company has transferred the services to customers but does not have a right to an amount of consideration that is unconditional, these contracts should be recognized as contract assets. However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, and the Company has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year and did not result in any significant financial component.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are recognized as other non-current assets if the entity expects to recover those costs. The costs are amortized on a straight-line basis according to the contract periods.

The incremental costs of obtaining a contract are costs that an entity incurs to obtain a

contract with a customer that it would not have incurred if the contract had not been obtained. Costs that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense.

The accounting policy before 1 January 2018 is as follows:

Revenue is recognized when economic benefits are likely to flow into the Company and the amount can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable. The conditions and methods for recognizing various incomes are as follows:

Sales of Goods

Revenue from sale of goods is recognized when all the following conditions have been satisfied: the significant risks and rewards of ownership of the goods have transferred to the buyer; neither continuing managerial involvement nor effective control over the goods sold have been retained; the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the entity; and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of Services

The Company's service revenue mainly comes from rendering maintenance services and revenue from services is recognized by reference to the stage of completion. Stage of completion is measured by reference to the proportion that contract cost incurred for work performed to date bear to the estimated total contract costs. When the contract result cannot be reasonably estimated, revenue is recognized with respect to expense incurred that's expected to be recovered.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are recognized as other non-current assets if the entity expects to recover those costs. The costs are amortized on a straight-line basis according to the contract periods.

The incremental costs of obtaining a contract are costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense.

16. Borrowing Cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or

sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

17. Post-Employment Benefits

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore fund assets are not included in the parent company only financial statements.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- (1) the date of the plan amendment or curtailment, and
- (2) the date that the Company recognizes restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

18. Share-based payment transactions

The cost of share-based payment transactions between the Company and the employees is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

When the cash is retained for the purpose of reimbursing the shares to the employees, the grant date shall be the date on which the Company confirms the number of shares subscribed by the employee.

19. Income Tax

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and Deferred income tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred income tax

Deferred income tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in financial statement at the reporting date.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- (1) Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- (2) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- (1) Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- (2) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred income tax assets and deferred income tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred income tax relating to items recognized outside profit or loss is not recognized in profit or loss but rather in other comprehensive income or directly in equity. Deferred income tax assets are reassessed and recognized at each reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

V. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's parent company only financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources for estimating uncertainty at the reporting date that would have a significant risk for a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below.

(1) Revenue Recognition

The Company's aircraft maintenance service and aircrafts business maintenance management contracts recognized revenue by the percentage of completion method. This method calculates the percentage of completion by the actual input of materials or labors in each contract. The estimation cost of contracts includes the inputs of labors and overheads. Its related information and assumption basis is highly uncertain and involves management's material judgement. It may cause significant effect to the measurement of total cost, and then affect the measurement of recognition of revenue.

(2) Inventories

The net realizable value of inventories is estimated under the circumstances of being damaged or fully or partially obsolete or declining selling price. The expected net value of inventories is made according to the best evidence during the estimation process. Please refer to Note VI.

(3) Post-Employment Benefits

The cost of post-employment benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, etc..

(4) Provisions

Provisions are recognized when the company has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

VI. Content of Significant Accounts

1. Cash and cash equivalents

	31 Dec. 2018	31 Dec. 2017
Cash on hand and saving account	\$79,808	\$79,547
Time deposits	-	15,061
Total	<u>\$ 79,808</u>	<u>\$ 94,608</u>

2. Notes and accounts receivable, net

	31 Dec. 2018	31 Dec. 2017
Notes receivable	\$95	\$818
Accounts receivable	831,300	739,360
Less: Allowance for doubtful accounts	(28,641)	(16,016)
Net	<u>802,659</u>	<u>723,344</u>
Total	<u>\$802,754</u>	<u>\$724,162</u>

Notes and accounts receivable were not pledged.

The Company adopted IFRS 9 for impairment assessment on 1 January 2018. Please refer to Note VI(16) for more details on accumulated impairment. Please refer to Note XII for more details on credit risk.

The payment term granted to customers were month end 15-60 days. The movements of the allowance for doubtful receivables were as follows (Please refer to Note XII for more details on credit risk):

	Individual assessment to impairment loss	Collective impairment	Total
1 Jan. 2017	\$10,919	\$-	\$10,919
Provision/(Reversal)	3,501	1,596	5,097
31 Dec. 2017	<u>\$14,420</u>	<u>\$1,596</u>	<u>\$16,016</u>

The past due account aging analysis of net account receivables was as follows:

	Neither past due nor impaired	Past due but not impaired account receivables					Total
		< 90 days	91-180 days	181-270 days	271-365 days	>365 days	
31 Dec. 2017	697,268	6,024	20,052	-	-	-	723,344

To work in line with public sector's budget execution, the accounts receivables from public sector clients might be collected later than the expected credit period. If the outstanding balance was not overdue for more than one year, it was not considered overdue and carried no risk of impairment.

3. Inventories, net

	31 Dec. 2018	31 Dec. 2017
Raw materials	\$267,635	\$159,804
Work in process	643,634	97,627
Finished goods	124,815	47,435
Total	<u>\$1,036,084</u>	<u>\$304,866</u>

The cost of inventories recognized in expenses amounted to NT\$2,407,030 thousand and NT\$2,023,450 thousand for the years ended 31 December 2018 and 2017, respectively, including the obsolete inventory recognized as expense for the period in the amount of NT\$2,440 thousand and NT\$1,050 thousand for the years ended 31 December 2018 and 2017, respectively.

No inventories noted above were pledged.

4. Property, plant and equipment

			Machinery and equipment	Office equipment	Transportati on equipment	Construction in progress and equipment awaiting inspection	Total
	Land	Buildings					
Cost:							
1 Jan. 2018	\$255,076	\$651,986	\$554,787	\$45,099	\$61,247	\$321	\$1,568,516
Addition	-	3,055	36,083	4,073	1,199	2,403	46,813
Disposal	-	-	(430)	(1,028)	(198)	-	(1,656)
Transfer	-	-	14,037	1,907	-	(2,724)	13,220
31 Dec. 2018	<u>\$255,076</u>	<u>\$655,041</u>	<u>\$604,477</u>	<u>\$50,051</u>	<u>\$62,248</u>	<u>\$-</u>	<u>\$1,626,893</u>
1 Jan. 2017	\$255,076	\$646,547	\$521,941	\$44,373	\$55,551	\$8,323	\$1,531,811
Addition	-	6,817	13,938	5,740	7,018	620	34,133
Disposal	-	(1,378)	(7,883)	(5,014)	(2,585)	-	(16,860)
Transfer	-	-	26,791	-	1,263	(8,622)	19,432
31 Dec. 2017	<u>\$255,076</u>	<u>\$651,986</u>	<u>\$554,787</u>	<u>\$45,099</u>	<u>\$61,247</u>	<u>\$321</u>	<u>\$1,568,516</u>
Depreciation and impairment:							
1 Jan. 2018	\$-	\$341,459	\$437,829	\$33,661	\$42,724	\$-	\$855,673
Depreciation	-	21,694	34,755	4,692	2,594	-	63,735
Disposal	-	-	(367)	(1,029)	(198)	-	(1,594)
31 Dec. 2018	<u>\$-</u>	<u>\$363,153</u>	<u>\$472,217</u>	<u>\$37,324</u>	<u>\$45,120</u>	<u>\$-</u>	<u>\$917,814</u>
1 Jan. 2017	\$-	\$320,142	\$412,745	\$34,978	\$43,005	\$-	\$810,870
Depreciation	-	22,585	32,967	3,697	2,304	-	61,553
Disposal	-	(1,268)	(7,883)	(5,014)	(2,585)	-	(16,750)
31 Dec. 2017	<u>\$-</u>	<u>\$341,459</u>	<u>\$437,829</u>	<u>\$33,661</u>	<u>\$42,724</u>	<u>\$-</u>	<u>\$855,673</u>
Net book value:							
31 Dec. 2018	<u>\$255,076</u>	<u>\$291,888</u>	<u>\$132,260</u>	<u>\$12,727</u>	<u>\$17,128</u>	<u>\$-</u>	<u>\$709,079</u>
31 Dec. 2017	<u>\$255,076</u>	<u>\$310,527</u>	<u>\$116,958</u>	<u>\$11,438</u>	<u>\$18,523</u>	<u>\$321</u>	<u>\$712,843</u>

Please refer to Note VIII for more details on property, plant and equipment under pledge.

5. Intangible assets

		Acquired special technology	Software	Total
Cost:				
1 Jan. 2018		\$7,575	\$4,584	\$12,159
Addition	- acquired separately	2,833	1,857	4,690
Decrease		-	-	-
31 Dec. 2018		<u>\$10,408</u>	<u>\$6,441</u>	<u>\$16,849</u>
1 Jan. 2017		\$6,735	\$4,854	\$11,589
Addition	- acquired separately	5,088	-	5,088
Decrease		(4,248)	(270)	(4,518)
31 Dec. 2017		<u>\$7,575</u>	<u>\$4,584</u>	<u>\$12,159</u>
Amortization and impairment:				
1 Jan. 2017		\$5,824	\$3,008	\$8,832
Amortization		3,743	1,404	5,147
Decrease		-	-	-
31 Dec. 2018		<u>\$9,567</u>	<u>\$4,412</u>	<u>\$13,979</u>
1 Jan. 2016		\$5,338	\$2,299	\$7,637
Amortization		4,734	979	5,713
Decrease		(4,248)	(270)	(4,518)
31 Dec. 2017		<u>\$5,824</u>	<u>\$3,008</u>	<u>\$8,832</u>
Net book value:				
31 Dec. 2018		<u>\$841</u>	<u>\$2,029</u>	<u>\$2,870</u>
31 Dec. 2017		<u>\$1,751</u>	<u>\$1,576</u>	<u>\$3,327</u>

Intangible assets amortization:

	1 Jan.~31 Dec. 2018	1 Jan.~31 Dec. 2017
Included in operating cost	<u>\$4,144</u>	<u>\$4,845</u>
Included in operating expenses	<u>\$1,003</u>	<u>\$868</u>

6. Other non-current assets

	31 Dec. 2018	31 Dec. 2017
Prepayment for equipment	\$26,816	\$425
Refundable deposits	58,870	86,732
Incremental costs of obtaining contracts	(Note)	57,771
Other non-current assets-others	1,204	402
Total	<u>\$86,890</u>	<u>\$145,330</u>

Please refer to Note VIII for more details on refundable deposits-noncurrent as performance bond.

Note: The Company adopted IFRS 15 on 1 January 2018. The incremental cost of obtaining the contract is separately listed in the newly applicable accounting subject. For details, please refer to Note VI(15)

7. Short-term loans

	31 Dec. 2018	31 Dec. 2017
Unsecured loans	<u>\$722,075</u>	<u>\$30,000</u>
Interest rate range	<u>0.69%~1.22%</u>	<u>0.69%~1.22%</u>

The Company's unused short-term lines of credits amounted to NT\$297,925 thousand and NT\$1,212,000 thousand as of 31 December 2018 and 31 December 2017, respectively.

8. Short-term notes and bills payable

Guarantee or acceptance agency	31 Dec. 2018		
	Interest rate	Amount	Pledge
<u>Short-term notes</u>			
China Bills Finance Corporation	0.617%	\$150,000	None
DAH Chung Bills Finance Corporation	0.652%	80,000	"
Subtotal		<u>230,000</u>	
Discount of short-term notes		<u>(75)</u>	
Total		<u>\$229,925</u>	

31 December 2018: None.

9. Other payables

	31 Dec. 2018	31 Dec. 2017
Operating expenses	\$182,761	\$225,310
Payables on equipment	4,163	1,323
Employee bonus	160	3,021
Others	14,352	6,914
Total	<u>\$201,436</u>	<u>\$236,568</u>

10. Long-term loans

(1) The details of long-term loans were as follows:

Creditors	Nature	Period	31 Dec. 2018	Interest rate	Redemption
Chang Hwa Bank	Secured Long-Term Loan	2018.11.26~ 2023.11.26	\$150,000	1.36%	First installment starting from one year maturity following the first drawdown, repaid by 16 installments with every 3 months as one installment .
	Secured Long-Term Loan	2014.12.10~ 2021.12.10	49,999	1.36%	First installment starting from one year maturity following the first drawdown, repaid by 24 installments with every 3 months as one installment .
Less: current portion			<u>(16,667)</u>		
Total			<u>\$183,332</u>		

Creditors	Nature	Period	31 Dec. 2017	Interest rate	Redemption
Chang Hwa Bank	Secured Long-Term Loan	2014.12.10~ 2021.12.10	\$66,666	1.36%	First installment starting from one year maturity following the first drawdown, repaid by 24 installments with every 3 months as one installment .
Less: current portion			<u>(16,667)</u>		
Total			<u>\$49,999</u>		

(2) Please refer to Note VIII for the detail of the assets pledged as collateral for the above

liabilities.

11. Post-employment benefits

Defined contribution plan

The Company adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended 31 December 2018 and 2017 are NT\$29,481 thousand and NT\$22,461 thousand, respectively.

Defined benefit plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute 37,086 thousand to its defined benefit plan during the following year beginning after 31 December 2018.

The average duration of the defined benefits plan obligation as of 31 December 2018 and 2017 are 9 years and 10 years.

The costs of defined benefit plan recognized to profit or loss were as follows:

	1 Jan.~31 Dec. 2018	1 Jan.~31 Dec. 2017
Current service cost	\$6,803	\$7,372
Net interest of net defined benefit liabilities/assets)	1,714	2,499
Past Service cost	-	-
Total	<u>\$8,517</u>	<u>\$9,871</u>

The reconciliation of present value of defined benefit obligation and fair value of plan assets were as follows:

	31 Dec. 2018	31 Dec. 2017
Present value of the defined benefit obligation	\$144,416	\$314,753
Fair value of plan assets	<u>(2,875)</u>	<u>(154,590)</u>
Other non-current liabilities-net defined benefit liabilities recognized on the balance sheets	<u>\$141,541</u>	<u>\$160,163</u>

The reconciliation of net defined benefit liabilities (assets):

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
1 Jan. 2017	\$302,827	\$(136,176)	\$166,651
Current service cost	7,372	-	7,372
Interest cost/revenue	4,542	(2,043)	2,499
Past service cost and gains and losses from settlement	-	-	-
Subtotal	<u>314,741</u>	<u>(138,219)</u>	<u>176,522</u>
Remeasurements of defined benefit liabilities/ assets			
Actuarial gains and losses resulting from changes in demographic assumptions	5,393	-	5,393
Actuarial gains and losses resulting from changes in financial assumptions	-	-	-
Experience adjustment	2,330	-	2,330
Remeasurements of defined benefit assets	-	794	794
Subtotal	<u>7,723</u>	<u>794</u>	<u>8,517</u>

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
Benefits paid	(7,711)	7,711	-
Contribution by employer	-	(24,876)	(24,876)
31 Dec. 2017	<u>\$314,753</u>	<u>\$(154,590)</u>	<u>\$160,163</u>
Current service cost	6,803	-	6,803
Interest cost/revenue	3,368	(1,654)	1,714
Past service cost and gains and losses from settlement	-	-	-
Subtotal	<u>324,924</u>	<u>(156,244)</u>	<u>168,680</u>
Remeasurements of defined benefit liabilities/assets			
Actuarial gains and losses resulting from changes in demographic assumptions	31	-	31
Actuarial gains and losses resulting from changes in financial assumptions	809	-	809
Experience adjustment	13,564	-	13,564
Remeasurements of defined benefit assets	-	(4,457)	(4,457)
Subtotal	<u>14,404</u>	<u>(4,457)</u>	<u>9,947</u>
Benefits paid	(194,912)	194,912	-
Contribution by employer	-	(37,086)	(37,086)
31 Dec. 2018	<u>\$144,416</u>	<u>\$(2,875)</u>	<u>\$141,541</u>

The following significant actuarial assumptions were used to determine the present value of the defined benefit obligation:

	31 Dec. 2018	31 Dec. 2017
Discount rate	1.25%	1.07%
Future salary increase rate	1.00%	1.00%

A sensitivity analysis for significant assumption as of 31 December 2018 and 2017 is shown below:

	1 Jan.~31 Dec. 2018		1 Jan.~31 Dec. 2017	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increase by 0.5%	\$1,122	\$-	\$-	\$13,421
Discount rate decrease by 0.5%	-	1,226	14,762	-

Future salary increase by 0.5%	454	-	14,696	-
Future salary decrease by 0.5%	-	419	-	13,494

The sensitivity analysis above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analysis compared to the previous period.

12. Provision

	31 Dec. 2018	31 Dec. 2017
Current	\$19,112	\$36,633
Non-current	-	2,332
Total	<u>\$19,112</u>	<u>\$38,965</u>

Maintenance Warranty

A provision was recognized for expected warranty claims on acceptance by client, based on past experience, management's judgment and other known factors:

	1 Jan.~31 Dec. 2018	1 Jan.~31 Dec. 2017
Balance at beginning of the year	\$18,132	\$18,277
Current additions	9,859	11,659
Current used	(2,956)	(2,929)
Current reversed	(5,923)	(8,875)
Balance at end of the year	<u>\$19,112</u>	<u>\$18,132</u>

Provision of Remediation and Improvement

	1 Jan.~31 Dec. 2018	1 Jan.~31 Dec. 2017
Balance at beginning of the year	\$20,833	\$24,000
Current additions	-	-
Current used	(20,833)	(3,167)
Balance at end of the year	<u>\$-</u>	<u>\$20,833</u>

The Company received a letter from Tainan City Government on 9 November 2015 stating that the Company's maintenance base in Tainan (at Land Lot No. 0553-0000, Er-ren Segment, Ren-de District) has been declared a soil pollution control site. The Company recognized provision at the best estimates based on the related expenditure with respect to the soil pollution improvement work required for the scope of the remediation and improvement obligations. The above-mentioned work had already finished in 2018.

13. Equity

(1) Common stock

As of 31 December 2018 and 31 December 2017, the Company's authorized common stock both amounted to NT\$1,300,000 thousand. The outstanding common stocks were respectively NT\$1,222,080 thousand and NT\$1,078,296 thousand, divided into 122,208 thousand shares 107,830 thousand shares and at NT\$10 par value.

The Company passed a resolution at the board of directors' meeting on 25 December 2017 to raise capital by cash in the amount of NT\$143,784 thousand. The Company issued 14,378 thousand shares of common stock at NT\$10 par value. Pursuant to the R.O.C. Company Act, 300 thousand shares were retained for employees to subscribe. The record date for capital increase was resolved at the board meeting to be 14 February 2018.

The Company passed a resolution at the board of directors' meeting on 22 November 2016 to raise capital by cash in the amount of NT\$20,000 thousand. The Company issued 2,000 thousand shares of common stock at NT\$10 par value. Pursuant to the R.O.C. Company Act, 300 thousand shares were retained for employees to subscribe. The record date for capital increase was resolved at the board meeting to be 10 January 2017.

(2) Capital reserve

	31 Dec. 2018	31 Dec. 2017
Additional paid-in capital	\$265,686	\$53,032
Gain on disposal of assets	100,063	100,063
Total	<u>\$365,749</u>	<u>\$153,095</u>

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the Company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

The Board of Directors meeting on 29 January 2019 approved to distribute cash dividends out of its capital surplus in the amount of NT\$110,510 thousand(NT\$ 0.92 per share).

The shareholders' meeting resolved on 11 June 2018 to cover the Company's accumulated deficits by its capital surplus in the amount of NT\$48,883 thousand (NT\$ 0.4 per share)

(3) Retained earnings and dividend policies

According to the amended Article 235-1 of the Company Act announced on 20 May 2015, the Company shall provide a fixed amount or percentage of the profit for the year to be distributed as “employees’ compensation”. The Company had amended its Articles of Incorporation in order to comply with the preceding law and regulations at a shareholders’ meeting on 8 June 2016. The plans were as follows:

- A. According to the Articles of Incorporation, 1%~3% of profit of the current year is distributable as employees’ compensation. However, the Company's accumulated deficits shall have been covered.
- B. 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 stockholders’ meeting.

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders’ meeting.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

The Company’s distribution of earnings and cash dividends per share in 2018 and 2017 were approved respectively through the board of directors meeting on 29 January 2019 and the stockholders’ meeting on 11 June 2018 as shown below:

	Appropriation of earnings		Cash dividend per share	
	1 Jan.~31 Dec. 2018	1 Jan.~31 Dec. 2017	1 Jan.~31 Dec. 2018	1 Jan.~31 Dec. 2017
Legal reserve	\$1,540	\$12,339	\$-	\$-
Cash dividends	9,610	103,877	0.08	0.85

Please refer to Note VI (18) for relevant information about estimation basis and recognized amounts for employees' compensation and remuneration to directors.

14. Treasury stock

Pursuant to the treasury stock system, the Company repurchased treasury stocks from Taiwan Stock Exchange Corporation (TWSE).

As of 31 December 2018, the reason of the repurchase and the changes in the stocks were as follows:

The reason of repurchase	Beginning of the year	Increase	Decrease	End of the year
To maintain the company's reputation and shareholders' rights and interest	-	1,717 shares	-	1,717 shares

15. Sales

	1 Jan.~31 Dec. 2018(Note)	1 Jan.~31 Dec. 2017
Sales-maintenances	\$2,622,501	\$2,353,636
Sales-materials	96,853	64,108
Total	<u>\$2,719,354</u>	<u>\$2,417,744</u>

Note: The Company adopted IFRS 15 on 1 January 2018. The Company elected to apply the standard retrospectively by recognizing the cumulative effect of initially applying the standard at the date of initial application (1 January 2018).

The Company has adopted IFRS 15 from 1 January 2018. Analysis of revenue from contracts with customers during the year is as follows:

(1) Disaggregation of revenue

	1 Jan.~31 Dec. 2018
Aircraft maintenance	\$925,433
Fleet maintenance and repair supply	399,926
Repairing entrusted to other units and air material selling	476,751
Components maintenance	917,244
Total	<u>\$2,719,354</u>

Timing of revenue recognition :

At a point in time

Aircraft maintenance	486,547
Fleet maintenance and repair supply pricing	398,611
Outsourced repair and air material transaction	476,751
Components maintenance	845,378
Total	<u><u>\$2,207,287</u></u>

Over time

Aircraft maintenance	\$438,886
Fleet maintenance and repair supply pricing	1,315
Outsourced repair and air material transaction	-
Components maintenance	71,866
Total	<u><u>\$512,067</u></u>

(2)Contract balances

C.Contract assets - current

	<u>31 Dec. 2018</u>
Rendering of services	\$333,180

As of 31 December 2018, the Company performed its obligation for some contracts by transferring of services, however it has not obtained an unconditional right to receive the consideration during the period in the amount of NT\$333,180 thousand. Please refer to Note VI(16) for more details on the impairment impact.

D.Contract liabilities – current

	<u>31 Dec. 2018</u>
Rendering of services	\$1,114

Some of the Company's contracts as at 31 December 2018 received partial consideration when signing up with the client. The Company bears the responsibility to perform the obligation of providing services subsequently. The Company recognized contract liabilities in the amount of NT\$1,114 thousand.

The period of contract liabilities transfer into revenue is usually within one year and did not result in any significant financial components.

(3) Transaction price allocated to unsatisfied performance obligations

As of 31 December 2018, the Company expected to recognize average revenue in the amount of NT\$303,541 thousand from 2019 to 2021. In addition, the Company has signed a number of multi-year military maintenance contracts with the military department of the government. Although the contract stated budget, the actual performance obligation is based on the maintenance work order and recognized revenue based on each order. The maintenance period of the work orders obtained as of 31 December 2018 were less than one year, so there is no need to provide information on outstanding performance obligations.

(4) Assets recognized from costs to fulfil a contract

	31 Dec. 2018	31 Dec. 2017 (Note)
Incremental costs of obtaining contracts	\$57,771	
Current additions	2,966	
Accumulated amortization	(15,103)	
Accumulated impairment	-	
Total	<u>\$45,634</u>	

Note: The Company adopted IFRS 15 on 1 January 2018. The Company elected to apply the standard retrospectively by recognizing the cumulative effect of initially applying the standard at the date of initial application (1 January 2018).

The related expenses paid by the Company for the acquisition of the aircraft maintenance business are expected to be recoverable and therefore were recognized as assets and amortized over the contract period of the aircraft maintenance business. Amortization expenses of NT\$15,103 thousand baht were recognized from 1 January to 31 December 2018.

16. Expected credit losses/ (gains)

	1 Jan.~31 Dec. 2018	1 Jan.~31 Dec. 2017 (Note)
Operating Expense — Expected credit losses/ (gains)		
Contract assets	\$-	
Notes receivable	-	
Trade receivables	12,625	
Total	<u>\$12,625</u>	

Note: The Company adopted IFRS 9 on 1 January 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

Please refer to Note XII for more details on credit risk.

The Company measures the loss allowance of its contract assets and trade receivables (including note receivables and trade receivables) at an amount equal to lifetime expected credit losses. The Company considers the grouping of trade receivables by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix. The details are as follows:

	Not yet due	Overdue					Total
		1-90 days	91-180 days	181-270 days	271-365 days	>=365 days	
Notes receivable	\$95	\$-	\$-	\$-	\$-	\$-	\$95
Trade receivables	383,001	419,658	-	-	-	28,641	831,300
Contract assets	333,180	-	-	-	-	-	333,180
carrying amount	\$716,276	\$419,658	\$-	\$-	\$-	\$28,641	\$1,164,575
Loss ratio	0%	0%	20%	30%	50%	100%	
Lifetime expected credit losses	-	-	-	-	-	28,641	28,641
Total	\$716,276	\$419,658	\$-	\$-	\$-	\$-	\$1,135,934

If the receivables of government customers cannot be collected within the prescribed credit period due to budgeting of the central government budget, the amount of the receivables will be regarded as not overdue with no impairment risk, if not overdue for more than 365 days.

The movement in the provision for impairment of contract assets, note receivables and trade receivables for the year ended 31 December 2018 is as follows:

	Contract assets	Note receivables	Trade receivables
Beginning balance (in accordance with IAS 39)	\$-	\$-	\$16,016
Current addition	-	-	12,625
Ending balance (in accordance with IAS 39)	\$-	\$-	\$28,641

17. Operating leases

The Company as a lessee

The Company signed a lease contract of national land and buildings for an average period of 5 to 10 years and cannot be renewed upon expiration. There is no restriction imposed on the Company in the contract.

Under the non-cancellable operating leases contract, the future minimum lease payments as of 31 December 2018 and 31 December 2017 are as follows:

	31 Dec. 2018	31 Dec. 2017
Not later than 1 year	\$15,092	\$17,049
Later than 1 year but not later than 5 years	60,367	19,354
Over 5 years	60,367	-
Total	<u>\$135,826</u>	<u>\$36,403</u>

Operating leases recognized as expenses were as follows:

	1 Jan.~31 Dec. 2018	1 Jan.~31 Dec. 2017
Minimum lease payments	<u>\$16,373</u>	<u>\$17,049</u>

18. Employee benefit, depreciation, and amortization expense are summarized as follows:

Function Nature	1 Jan.~31 Dec. 2018			1 Jan.~31 Dec. 2017		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expenses						
Salaries	\$479,561	\$122,156	\$601,717	\$429,989	\$100,200	\$530,189
Insurances	49,909	15,342	65,251	43,232	9,478	52,710
Pensions	29,643	8,355	37,998	25,856	6,476	32,332
Remuneration to directors	-	1,985	1,985	-	670	670
Other employee benefit expenses	31,196	11,377	42,573	17,519	3,455	20,974
Depreciation	59,843	3,892	63,735	58,286	3,267	61,553
Amortization	4,144	1,003	5,147	4,845	868	5,713

Note: The number of employees of the Company as at 2018 and 31 December 2017 was 1,033 and 864 respectively, including 9 non-employee directors.

A resolution was passed at a general shareholders' meeting of the Company held on 8 June 2016 to amend the Articles of Incorporation of the Company. According to the Articles of Incorporation, 1%~3% of profit of the current year is distributable as employees' compensation. However, the company's accumulated deficits shall have been covered first. The Company may,

by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on the profit level, the Company estimated the amounts of the employees' compensation for the year ended 31 December 2018 and the year ended 31 December 2017. The Company recognized NT\$160 thousand in 2018 and NT\$3,021 thousand in 2017. The amounts were recognized as salary expenses.

A resolution was passed at the board meeting held on 29 January 2019 to distribute employees' compensation in cash in the amount of NT160 thousand. No material differences existed between the estimated amount and the actual amount distributed for the year ended 31 December 2018.

The actual amount distributed as employees' compensation in 2017 was NT\$3,021 thousand. No material difference existed between the estimated amount and actual amount recognized in the financial statement for the year ended 2017.

19. Non-operating income and expenses

(1) Other income

	<u>1 Jan.~31 Dec. 2018</u>	<u>1 Jan.~31 Dec. 2017</u>
Rent income	\$487	\$487
Interest income	1,481	1,545
Other income-other	8,125	7,552
Total	<u>\$10,093</u>	<u>\$9,584</u>

(2) Other gains and losses

	<u>1 Jan.~31 Dec. 2018</u>	<u>1 Jan.~31 Dec. 2017</u>
(Loss) on disposal of property, plant and equipment	\$(62)	\$(110)
Foreign exchange (loss) gain -net	(449)	(1,089)
Miscellaneous Disbursements	<u>(1,250)</u>	<u>(375)</u>
Total	<u>\$(1,761)</u>	<u>\$(1,574)</u>

(3)Financial Cost

	1 Jan.~31 Dec. 2018	1 Jan.~31 Dec. 2017
Financial expense	\$(9,326)	\$(5,111)
Interest expense	(5,386)	(3,806)
Total	<u>\$(14,712)</u>	<u>\$(8,917)</u>

20. Components of Other Comprehensive Income (Loss)

For the year ended 31 December 2018

	Arising during the period	Income tax benefit (expense)	Other comprehensive income(loss), net of tax
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit pension plans	\$(9,947)	\$1,989	\$(7,958)
Items that will be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	114	(24)	90
Total	<u>\$(9,833)</u>	<u>\$1,965</u>	<u>\$(7,868)</u>

For the year ended 31 December 2017

	Arising during the period	Income tax benefit (expense)	Other comprehensive income(loss), net of tax
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of the defined benefit pension plans	\$(8,517)	\$1,448	\$(7,069)
Items that will be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	(305)	53	(252)
Total	<u>\$(8,822)</u>	<u>\$1,501</u>	<u>\$(7,321)</u>

21. Income Tax

Based on the amendments to the Income Tax Act announced on 7 February 2018, the Company's applicable corporate income tax rate for the year ended 31 December 2018 has changed from 17% to 20%. The corporate income surtax on undistributed retained earnings has changed from 10% to 5%.

The major components of income tax expense (benefit) were as follows:

Income tax expense recorded in profit or loss

	1 Jan.~31 Dec. 2018	1 Jan.~31 Dec. 2017
Current income tax expense (benefit):		
Current income tax payable	\$-	\$19,165
Adjustments in respect of current income tax of prior periods	1,474	1,731
Deferred income tax expense (benefit):		
Deferred income tax expense (benefit) related to origination and reversal of temporary differences	1,403	3,737
Deferred income tax expense (income) relating to changes in tax rate or the imposition of new taxes	(10,422)	-
Income tax expense	<u><u>\$(7,545)</u></u>	<u><u>\$24,633</u></u>

Income tax expense recorded in other comprehensive income

	1 Jan.~31 Dec. 2018	1 Jan.~31 Dec. 2017
Deferred income tax expense (benefit):		
Remeasurements of defined benefit pension plans	\$1,989	\$1,448
Exchange differences on translation of foreign operations	(24)	53
Income tax relating to components of other comprehensive income	<u><u>\$1,965</u></u>	<u><u>\$1,501</u></u>

A reconciliation between income tax expense and income before tax at applicable tax rate was as follows:

	1 Jan.~31 Dec. 2018	1 Jan.~31 Dec. 2017
Income before tax from continuing operations	<u><u>\$7,860</u></u>	<u><u>\$148,026</u></u>
At statutory income tax rate of 17%	\$1,572	\$25,164
Investment tax credits under Statue for Industrial Innovation this year	(187)	(2,940)
Tax effect due to non-deductible expenses	7	214

Deferred income tax related to changes in tax rates	(10,422)	-
10% income tax on unappropriated earnings	11	464
Adjustments in respect of current income tax of prior periods	1,474	1,731
Total of income tax expense recorded in profit or loss	<u>\$(7,545)</u>	<u>\$24,633</u>

Deferred income tax assets (liabilities) amounts relating to the following items:

For the year ended 31 December 2018

	Balance at beginning	Recognized to profit or loss	Recognized to other comprehensive income	Balance at end
Temporary difference				
Unrealized exchange loss	\$264	\$(159)	\$-	\$105
Allowance for doubtful debts	2,722	3,006	-	5,728
Allowance for losses on inventory market decline and obsolescence	19,039	3,848	-	22,887
Investments accounted for under the equity method	447	95	-	542
Impairment of available-for-sale financial asset	425	75	-	500
Impairment of property, plant and equipment	1,038	(24)	-	1,014
Temporary difference from unpaid expenses payable	4,265	(4,265)	-	-
Provisions- noncurrent	3,542	(3,542)	-	-
Net defined benefit liabilities (assets)	27,228	(909)	1,989	28,308
Loss Carryforwards	-	10,720	-	10,720
Tax credit of investment	-	176	-	176
Exchange difference on translation of foreign operation	86	-	(24)	62
Deferred income tax (expense)/benefit		<u>\$9,021</u>	<u>\$1,965</u>	
Deferred income tax assets-net	<u>\$59,056</u>			<u>\$70,042</u>
Information presented in the balance				

sheet is as follows:

Deferred income tax assets	<u>\$59,056</u>	<u>\$70,042</u>
Deferred income tax liabilities	<u>\$-</u>	<u>\$-</u>

For the year ended 31 December 2017

	Balance at beginning	Recognized to profit or loss	Recognized to other comprehensive income	Balance at end
Temporary difference				
Unrealized exchange loss	\$204	\$60	\$-	\$264
Allowance for doubtful debts	1,856	866	-	2,722
Allowance for losses on inventory market decline and obsolescence	18,860	179	-	19,039
Investments accounted for under the equity method	433	14	-	447
Impairment of available-for-sale financial asset	425	-	-	425
Impairment of property, plant and equipment	1,248	(210)	-	1,038
Impairment of other assets	217	(217)	-	-
Temporary difference from unpaid expenses payable	5,606	(1,341)	-	4,265
Provisions- noncurrent	4,080	(538)	-	3,542
Net defined benefit liabilities (assets)	28,331	(2,551)	1,448	27,228
Exchange difference on translation of foreign operation	33	-	53	86
Deferred income tax (expense)/benefit		<u>\$(3,738)</u>	<u>\$1,501</u>	
Deferred income tax assets-net	<u>\$61,293</u>			<u>\$59,056</u>
Information presented in the balance sheet is as follows:				
Deferred income tax assets	<u>\$61,293</u>			<u>\$59,056</u>
Deferred income tax liabilities	<u>\$-</u>			<u>\$-</u>

Unrecognized deferred income tax assets

As of 31 December 2018 and 2017, the unrecognized deferred income tax assets of the Company separately were amounted to NT\$ 176 thousand and NT\$ 573 thousand.

The Company's earnings generated in the year ended 31 December 1997 and prior years were fully appropriated.

Approval of income tax returns

As of 31 December 2018, the Company's income tax returns for all the fiscal years up to 2016 were assessed and approved by the National Taxation Bureau of Southern Area.

22. Earnings Per Share

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year.

The calculation of diluted earnings per share is to divide the profit or loss for the period attributable to the ordinary equity holders of the parent company (after adjusting the interests of convertible bonds) by the weighted average number of ordinary shares outstanding for the period, plus the weighted average ordinary shares which will be issued when all potential ordinary shares with dilutive effect are converted into ordinary shares.

	1 Jan.~31 Dec. 2018	1 Jan.~31 Dec. 2017
Basic earnings per share (in NT dollar)		
Income attributable to the Company's stockholders (thousand dollars)	\$15,405	\$123,393
Weighted-average number of ordinary shares for basic earnings per share (thousand shares)	121,601	107,830
Earnings per share — basic (in NT dollar)	\$0.13	\$1.14

VII. Related-Party Transactions

1. Key management personnel compensation

	1 Jan.~31 Dec. 2018	1 Jan.~31 Dec. 2017
Short-term employee benefits	\$16,571	\$8,863
Post-employment benefits	553	179
Total	\$17,124	\$9,042

VIII. Assets Pledged as Collateral

The Company has assets pledged as collateral as follows:

Item	Amount		Purpose of pledge
	31 Dec. 2018	31 Dec. 2017	
Refundable deposits-current	\$163,457	\$75,777	Guarantee Deposits
Refundable deposits-noncurrent (recognized as other noncurrent assets)	58,870	86,732	Guarantee Deposits
Property, plant and equipment-Land	255,076	255,076	Long-term loans
Property, plant and equipment-Buildings	246,860	260,936	Long-term loans
Total	<u>\$724,263</u>	<u>\$678,521</u>	

IX. Significant Contingencies and Unrecognized Contract

1. As of 31 December 2018, the maintenance bond and customs bond offered by banks were as follows:

Currency	Amount
NTD	\$1,652,489
USD	258 thousand

2. As of 31 December 2018, the Company provided performance bond as follows:

Company	Content	Amount
Aerospace Industrial Development Corporation	Performance Bond	\$271,280

X. Significant Disaster Loss

None.

XI. Significant Subsequent Events

None.

XII.Others

1. Categories of financial instruments

Financial Assets

	31 Dec. 2018	31 Dec. 2017
Loans and receivables	\$77,177	\$92,048
Cash and cash equivalents (excludes cash on hand)	163,457	75,777
Refundable deposits – current	58,870	86,732
Refundable deposits – noncurrent(recognized as other noncurrent assets)	802,754	724,162
Notes and accounts receivable-net	16,339	6,651
Total	<u>\$1,118,597</u>	<u>\$985,370</u>

Financial Liabilities

	31 Dec. 2018	31 Dec. 2017
Financial liabilities at amortized cost:		
Short-term loans	\$722,075	\$30,000
Short-term notes and bills payable	229,925	-
Accounts payable	215,283	128,940
Other payables	201,436	236,568
Long-term loans (current portion included)	199,999	66,666
Total	<u>\$1,568,718</u>	<u>\$462,174</u>

2. Financial risk management objectives

The Company's risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Company identifies measures and manages the aforementioned risks based on policy and risk preference.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant financial activities, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

3. Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise currency risk, interest rate risk, and other price risk (such as equity price risk). In practice, it is unlikely that changes in a single risk variable would occur in isolation of one another; there are usually interdependencies between risk variables. However, the following sensitivity analysis of each risk does not consider the interdependencies between relevant risk variables.

Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

The Company has foreign currency risk arising from purchases or sales and applies natural hedges. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Company's foreign currency risk is mainly affected by USD. Sensitivity analysis was as follows:

31 Dec.2018					
Foreign currency	Carrying amount			Sensitivity analysis	
	Foreign currency (thousand)	foreign exchange rates	NTD	Foreign currency movement	Benefit /(loss)
Financial asset					
Currency item					
USD	\$2,719	30.665	\$83,378	increase1%	\$834
Financial liability					
Currency item					
USD	1,727	30.765	53,131	increase 1%	(531)

31 Dec.2017

Foreign currency	Carrying amount			Sensitivity analysis	
	Foreign currency (thousand)	foreign exchang e rates	NTD	Foreign currency movement	Benefit /(loss)
Financial asset					
Currency item					
USD	\$2,930	29.71	\$87,050	increase1%	\$871
Financial liability					
Currency item					
USD	1,818	29.81	54,195	increase 1%	(542)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's loans and receivables at floating interest rates, bank borrowings with fixed interest rates and floating interest rates.

The Company manages the risk of interest rate by maintaining an appropriate combination of fixed and floating interest rates, which however, is not suitable for hedge accounting as it does not comply with the rules of hedge accounting.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with floating interest rates and interest rate swaps. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the years ended 31 December 2018 and 2017 to decrease/increase by NT\$1,075 thousand and NT\$5 thousand, respectively.

4. Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

As of 31 December 2018 and 2017, accounts receivables from top ten customers represented 89% and 91% of the total accounts receivables of the Company, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

The Company adopted IFRS 9 to assess the expected credit losses since 1 January 2018.

	Indicator	Loss ratio	Measurement method for expected credit losses
Credit risk significantly increased	Contract payment overdue 90~365 days	20%~50%	Lifetime expected credit losses
Credit-impaired	Contract payment overdue 365 days		Lifetime expected credit losses
	Other impaired evidence	100%	losses

Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

When the credit risk on debt instrument investment has increased, the Company will dispose that investment in order to minimize the credit losses. When assessing the expected credit losses in accordance with IFRS 9, the evaluation of the forward-looking information (available without undue cost and effort) is mainly based on the macroeconomic information and the credit loss ratio is further adjusted if there is significant impact from forward-looking information.

5. Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents and bank borrowings. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with floating interest rates is extrapolated based on the estimated interest rate yield curve as of the end of

the reporting period.

Non-derivative financial instruments

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	>5 years	Total
31 Dec. 2018							
Loans	\$739,410	\$56,384	\$55,647	\$38,329	\$37,819	\$-	\$927,589
Short-term notes and bills payable	229,925	-	-	-	-	-	229,925
Payables	416,719	-	-	-	-	-	416,719
31 Dec. 2017							
Loans	\$47,488	\$17,262	\$17,035	\$16,808	\$-	\$-	\$98,593
Payables	365,508	-	-	-	-	-	365,508

6. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended 31 December 2018:

	Short-term loans	Long-term loans	Short-term notes and bills payable	Total liabilities from financing activities
As at 1 Jan. 2018	\$30,000	\$66,666	\$-	\$96,666
Cash flows	692,075	133,333	229,925	1,055,333
As at 31 Dec. 2018	<u>\$722,075</u>	<u>\$199,999</u>	<u>\$229,925</u>	<u>\$1,151,999</u>

Reconciliation of liabilities for the year period ended 31 December 2017:

None.

7. Fair value of financial instruments

(2)The methods and assumptions applied in determining the fair value of financial instruments:

The fair value of the financial assets and liabilities represents the amount at which the instrument could be exchanged in a current transaction between willing parties, other

than in a force or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- A. The book values of short-term financial instruments approximate their fair value due to their short maturities. Short-term financial instruments include cash and cash equivalents, Debt instrument investments for which no active market exists, receivables, payables and other current liabilities.
- B. The fair value of short-term borrowings and long-term borrowings (including current portion) are estimated by the carrying amount. As the Company's loan applied short-term revolving borrowings are used in floating interest rates, which have been adjusted with the market status, and thus the rate of the Company's borrowings shall be similar to the market rate.
- C. The fair value of guarantee deposits paid is estimated by the carrying amounts, since the expected future received or paid amounts are similar to the carrying amounts.

8. Fair value measurement hierarchy

(3) Fair value measurement hierarchy

All assets and liabilities for which fair value are measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(4)Information of fair value measurement hierarchy: None.

9. Significant assets and liabilities denominated in foreign currencies

The Company's significant assets and liabilities denominated in foreign currencies were as follows:

Units: in thousands			
31 Dec. 2018			
	Foreign Currency	Exchange Rate	NTD
<u>Financial Assets</u>			
Monetary items:			
USD	\$2,719	30.665	\$83,378
<u>Financial Liabilities</u>			
Monetary items:			
USD	\$1,727	30.765	\$53,131
31 Dec. 2017			
	Foreign Currency	Exchange Rate	NTD
<u>Financial Assets</u>			
Monetary items:			
USD	\$2,930	29.71	\$87,050
<u>Financial Liabilities</u>			
Monetary items:			
USD	\$1,818	29.81	\$54,195

The Company has various functional currencies; no information about the foreign exchange gains or losses by a specific currency is available. For the years ended 31 December 2018 and 2017, the foreign exchange gains or (losses) on monetary financial assets and financial liabilities were amounted to NT\$(449) thousand and NT\$(1,089)thousands, respectively.

10. Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the

Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

11. Others

Four employees of the Company were prosecuted for forgery and fraud by the Tainan District Prosecutors Office on 25 June 2009. The four individuals were found innocent at the first instance court on 1 March 2016. The prosecutor appealed on 27 April 2016. The Taiwan High Court, Tainan Branch rejected the appeal and the defendants were acquitted on 18 August 2017.

XIII. Additional disclosures

1.The following are additional disclosures for the Company and its affiliates listed below are required by the R.O.C. Securities and Futures Bureau:

(1)Financing provided to others for the year ended 31 December 2018: None.

(2)Endorsement/Guarantee provided to others for the year ended 31 December 2018: None.

(3)Securities held as of 31 December 2018 (excluding subsidiaries, associates and joint venture): None.

(4)Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended 31 December 2018: None.

(5)Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended 31 December 2018: None.

(6)Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended 31 December 2018: None.

(7)Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended 31 December 2018: None.

(8)Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of 31 December 2018: None.

(9)Financial instruments and derivative transactions: None.

2. Transfer investment related information

(1)The investee company has significant influence or controller directly or indirectly: Please refer to Attachment 1.

(2)If the investee company has direct or indirect control, it must disclose the information of the invested company engaged in the first to ninth transactions of the preceding paragraph: None.

3. Investment in Mainland China: None.

ATTACHMENT 1

AIR ASIA CO., LTD.

(Names, locations and related information of investee companies as of December 31, 2018) (Not including investment in Mainland China) (Amounts in thousands of NT; Currency denomination in NTD or in foreign currencies)

Investor company	Investee company	Address	Main businesses and products	Initial Investment		Investment as of 31 December 2018			Net income (loss) of investee company	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares (thousand)	Percentage of ownership	Carrying amount			
AIR ASIA CO., LTD.	Air Asia Company Ltd.(USA)	5525 Daniels ST. Chino, CA 91710	Logistic service.	6,699	6,699	10	100.00%	\$3,598	(83)	(83)	

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

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1.Statement of Cash and cash equivalents

31 December 2018

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Item	Description	Amount	Note
Cash on hand		\$64	US dollar exchange for NTD
Petty cash		2,567	Exchange Rate1 : 30.665
Saving account—NTD		67,230	
Saving account—Foreign currency	USD 324	9,947	
Total		\$79,808	

2.Statement of Notes and accounts receivable-Net

31 December 2018

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Customer Name	Description	Amount	Note
Company A		\$541,001	1.The amount of Other Company in others does not exceed 5% of the account balance.
Company B		90,724	
Company C		54,486	2.US dollar exchange for NTD Exchange Rate1 : 30.665
Other		145,184	
Subtotal		831,395	
Less: Allowance for doubtful accounts		(28,641)	
Net		\$802,754	

3.Statement of Inventories-Net

31 December 2018

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Item	Carrying amount	Net Realizable Value	Note
Raw materials	\$377,173	\$267,635	
Work in process	643,648	643,634	
Finished goods	129,697	124,815	
Subtotal	1,150,518	\$1,036,084	
Less: Allowance for inventory valuation and obsolescence loss	(114,434)		
Net	\$1,036,084		

4.Statement of Investments accounted for under the equity method

31 December 2018

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	As of January 1, 2018 (Note 1)		Additions		Decrease		As of December 31, 2018			Fair value/ Net assets value		Collateral	Note
	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	%	Amount	Unit price (NTD)	Total Amount		
Air Asia Company LTD.(USA)	10	\$3,567	-	(Note 1) \$114	-	(Note 2) \$(83)	10	100.00	\$3,598	USD 11.86	\$3,598	None	

Note 1:Exchange differences on translation of foreign operations

Note 2: Investment gains and losses on the equity method

5.Statement of Short-term loans

31 December 2018

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Type	Description	Balance, End of Year	Contract Period	Interest rates applied	Loan Commitments	Collateral
Credit Loan	Taishin Bank	\$100,000	2018.12.27～2019.01.25	1.07%	\$120,000	None
Credit Loan	Taiwan Cooperative Bank	100,000	2018.09.07～2019.05.21	1.01%	100,000	〃
Credit Loan	Eximbank	100,000	2018.04.20～2019.06.20	0.69%~1.22%	100,000	〃
Credit Loan	CTBC Bank	30,000	2018.12.28～2019.01.25	1.06%	30,000	〃
Credit Loan	Hua Nan Bank	60,000	2018.11.06～2019.01.31	1.00%	100,000	〃
Credit Loan	DBS Bank	232,075	2018.11.19～2019.03.25	1.00%	240,000	〃
Credit Loan	Cathay United Bank	100,000	2018.12.25～2019.03.25	1.00%	100,000	〃
Total		\$722,075				

6.Statement of Short-term notes and bills payable

31 December 2018

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Item	Guarantee or acceptance agency	Contract Period	Interest rates applied	Amount			Note	
				Issue amount	Discount of short-term notes	Carrying amount		
Commercial payable	paper	China Bills Finance Corporation	2018.12.28~2019.02.28	0.62%	\$150,000	\$(68)	\$149,932	
Commercial payable	paper	DAH Chung Bills Finance Corporation	2018.12.06~2019.01.11	0.65%	80,000	(7)	79,993	
							\$229,925	

7.Statement of Accounts payable

31 December 2018

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Client	Description	Amount	Note
Company A	USD 373	\$17,273	1.The amount of Other Company in others does not exceed 5% of the account balance.
Compnay B		16,265	
Company C		11,475	2.US dollar exchange for NTD
Other		170,270	Exchange Rate1 : 30.665
Total		\$215,283	

8.Statement of Operating Costs

31 December 2018

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Item	Amount	Note
Maintenance costs		
Direct material	\$266,380	
Add: raw material purchased	2,265,795	
Transferred from manufacturing expenses	9,024	
Less: raw material, end of year	(377,173)	
Aviation Supplies	(93,921)	
loss on physical inventory	(7)	
Loss on abandonment of Inventory	(867)	
Other	(4,955)	
Direct material used	2,064,276	
Direct labor	348,505	
Factory overheads	425,121	
Manufacturing cost	2,837,902	
Add: work in process, beginning of year	97,644	
Less: work in process, end of year	(643,648)	
Cost of finished goods	2,291,898	
Add: finished goods, beginning of year	52,836	
Less: finished goods, end of year	(129,697)	
Operating Cost	2,215,037	
Other operating cost	93,921	
Idle capacity	94,950	
Loss as a result of the net realized value of inventory being lower than its cost	2,440	
Loss on scrap of inventories	867	
Loss on physical inventory	7	
Revenue from scraps	(192)	
Total	<u>\$2,407,030</u>	

Statement of Operating Expenses

31 December 2018

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Item	Selling expenses	General and administrative expenses	Research and development expenses	Total
Payroll expense	\$31,920	\$75,603	\$16,580	\$124,103
Insurance expense	3,151	7,131	1,717	11,999
Taxes	204	20,745	24	20,973
Travelling expense	4,581	6,863	295	11,739
Commission expense	11,439	-	-	11,439
Professional service fees	28	30,094	-	30,122
Expected credit losses	-	12,625	-	12,625
Other expense(Note)	11,444	59,867	3,690	75,001
Total	\$62,767	\$212,928	\$22,306	\$298,001

Note 1.The amount of Other expense in others does not exceed 5% of the expense

VII. Review and analysis of financial status and financial performance and their risk issues

i. Financial status

Unit: NT\$(K)

Item \ Year	2018	2017	Difference		Analysis of Change (Note)
			Amount	%	
Current asset	2,502,452	1,227,429	1,275,023	103.88	1
Property, plant and equipment	709,079	712,843	(3,764)	(0.53)	-
Intangible assets	2,870	3,327	(457)	(13.74)	-
Other assets	202,566	204,386	(1,820)	(0.89)	-
Total assets	3,416,967	2,147,985	1,268,982	59.08	1
Current liabilities	1,416,037	478,359	937,678	196.02	2
Non-current liabilities	324,873	212,494	112,379	52.89	2
Total liabilities	1,740,910	690,853	1,050,057	151.99	2
Capital	1,222,080	1,078,296	143,784	13.33	3
Capital reserve	365,749	153,095	212,654	138.90	3
Retained earnings	129,262	225,692	(96,430)	(42.73)	4
Other interests	139	49	90	183.67	-
Treasury stock	(41,173)	-	(41,173)	-	-
Total equity	1,676,057	1,457,132	218,925	15.02	-

Note: The main reason, impact and the future countermeasures of significant change (The change reaches 20% between previous and current periods and the amount reaches NT\$ 10 million) occurred in the items of assets, liabilities, shareholder's equity of company in the last two years shall be explained.

1. The increase in current assets was mainly due to the increase in demand for raw materials.
2. The increase in liabilities was due to the need for operations and increased capital scheduling.
3. The increase in capital and capital reserve was mainly due to the implementation of capital increase in 2018.
4. The retained earnings reduction was due to the distribution of the 2017 annual dividend.

ii. Financial Performance

Unit: NT\$(K)

Item \ Year	2018	2017	Amount increased (decreased)	Ratio of change (%)	Analysis of Change
Operating Revenue	2,719,354	2,417,744	301,610	12.47	1
Operating costs	2,407,030	2,023,450	383,580	18.96	1
Operating margin	312,324	394,294	(81,970)	(20.79)	1
Operating expenses	298,084	245,361	52,723	21.49	2
Operating net profit	14,240	148,933	(134,693)	(90.44)	2
Non-operating income and expenses	(6,380)	(907)	(5,473)	603.42	3
Net profit before tax	7,860	148,026	(140,166)	(94.69)	2
Plus: tax income (expense)	7,545	(24,633)	32,178	(130.63)	-
Net income	15,405	123,393	(107,988)	(87.52)	2

Reason for change:

1. The decrease in operating margin for the year of 2018 compared to 2017 was due to the increase in operating costs.
2. The decrease in 2018 operating net profit, net profit before tax and net income compared to the ones in 2017 is mainly due to the decrease in operating margin and increase in the number of 2018 employees and increase in related costs because of obtaining the EASA certification.
3. In 2018, the non-operating income and net expenditure increased compared with 2017, which was due to the increase in interest expenses derived from the borrowings required for operations in 2018.

iii. Cash flow

(i). Analysis and description of the cash flow change in the most recent year

Year Item	2018	2017	Increase (decrease)
Cash flow ratio (%)	(79.79%)	31.17%	(110.96%)
Cash flow adequacy ratio (%)	(45.02%)	80.99%	(126.01%)
Cash reinvestment ratio (%)	(45.80%)	(0.73%)	(45.07%)
Analysis and description of change of the increase/decrease ratio: 1.The decrease in the cash flow ratio during the period was due to the decrease in net cash inflows from operating activities and the increase in current liabilities. 2.The decrease in the cash flow adequacy ratio for the current period was due to the decrease in net cash inflows from operating activities in the last five years. 3.The decrease in cash reinvestment ratio during the period was due to distribution of cash dividends and the decrease in net cash inflows from operating activities in 2018.			

(ii). Improvement plan for liquidity shortage in the recent year: not applicable.

(iii). Analysis of cash flow liquidity in the coming year

Unit NT\$(K)

Beginning cash balance	Expected annual cash outflow	Expected cash remaining amount	Remedial measures for expected cash shortfalls	
			Investment plan	Financial plan
\$79,808	\$20,303	\$100,111	Not applicable	Not applicable
1. Analysis of changes in cash flow in the coming year: (1) Operating activities: The Company expects the increase in raw materials demand in 2019, and it is estimated that the net outflow of cash will be NT\$554.135 million in the next year. (2) Investment activities: The Company expects to replace and update the purchase of machinery and equipment and plant equipment in 2019. It is estimated that the net investment outflow will generate NT\$66.678 million in the next year. (3) Fund-raising activities: The Company expects to distribute cash dividends in 2019, and				

to collect the amount of corporate bonds issued in 2019, and to arrange funds according to business needs. It is estimated that the financing inflow will generate a net cash inflow of NT\$641.116 million in the coming year.

2. Expected cash shortfall remedies and liquidity analysis: Not applicable.

iv.Impact of recent major capital expenditures on financial operations: None.

v.The reinvestment policy in recent year, its main reason of profit or loss and improvement plan; and investment plan for the coming year

(i).Reinvestment policy

The company's management team, based on operational needs or the company's future growth considerations, to conduct reinvestment. It will conduct detailed assessments of the organizational structure, investment objectives, location, market conditions, business development, shareholding ratio, reference price and financial status of the investment business and make assessment suggestion of the investment project, in order to provide basis for decision-making authorities to make investment decisions. In addition, this company will also keep track of the operating status of the invested enterprise and analyze the investment results in order to facilitate the decision-making authorities as a follow-up assessment of post-investment management.

(ii).The main reason for the profit or loss of investment in recent years and the improvement plan

Unit NT\$(K)			
Re-invested enterprise	Recognition of the latest annual investment profits and losses of the invested company	main reason for the profit or loss	Improvement plan
Air Asia Company Ltd. (USA)	(83)	The main reason is the loss incurred by relevant expenses for this company's import and export business from and to the US for the company's aircraft parts and accessories.	As that company only handles the import and export operation from and to the US for this company's aircraft parts and accessories, so its profitability is limited.

(iii). Investment plan for the next year: None.

vi. Risk analysis and evaluation (in the recent year and up to the print date of annual report)

(i). The impact of interest rates, exchange rate variation, and inflation on the company's profit and loss and future response measures

1. Impact of interest rate variation

The Company's interest expenses for 2017 and 2018 accounted for 0.16% and 0.20% of the operating income for respective year, accounting for a small proportion of the current operating income. In addition, the company maintains close contact with the bank on weekdays and keeps an eye on the current interest rate level to reduce the impact of interest rate variation on the company's profit and loss.

2. Impact of exchange rate variation

The Company's export and outsourcing are mainly denominated in US dollars. The exchange loss of the Company for 2017 is NT\$1.089 million, and the exchange loss for 2018 is NT\$ 0.449 million, which is a small proportion of the current operating income. The company will collect exchange rate movement information at any time, grasp the exchange rate trend, judge the exchange rate variation, and adopt a hedging strategy in a timely manner to avoid exchange rate fluctuation risks and reduce the adverse impact of exchange rate variation on the company's profit and loss.

3. Impact of inflation

The Company has not had any significant adverse impact on the Company's profit and loss due to inflation in the most recent year and up to the print date of annual report. In the future, we will pay attention to fluctuations in market prices and strengthen control of costs to reduce the impact of inflation on the company's profit and loss.

(ii). The main reasons of profit or loss for the high-risk, high-leverage investment, capital loan to others, endorsement/guarantee and derivative commodity trading, and the future response measures.

The Company has always adhered to the principle of focusing on the industry and pragmatic principles. The financial policy is based on the principle of stable and conservative, and it does not engage in high-risk, highly leveraged

investments.

This company has no capital loan to the others, endorsement/guarantee and transactions in derivative commodities in the recent year and up to print date of annual report. The company has passed the resolutions of the board of directors, stating that the capital of the company shall not be lend to any other. In the special shareholders' meeting on December 17, 2012, the "Regulations Governing Capital Loan to Others" has been abolished. Further, this company has promulgated the "Regulations Governing Endorsement and Guarantee" and "Regulations Governing the Acquisition and Disposal of Assets"; in the future, if this company may engage in endorsement/guarantee or transactions in derivative commodities, it shall subject to the policy and countermeasures governing such activities.

(iii). R&D expenses for future R&D projects and projected inputs

1. Future R&D projects

- (1) Helicopter avionics system upgrade and modification project
- (2) Laser titanium laminate overlay aerospace repair process project
- (3) Development of disappearing commercial products project
- (4) AI artificial intelligence hybrid virtual reality aerospace product testing project

2. The expected R&D expenditure is estimated to be approximately NT\$ 23.468 million.

(iv). The impact of important domestic and international policies and changes of laws on the company's financial business and the corresponding measures: None.

(v). The impact of technological changes and industrial changes on the company's financial business and the corresponding measures

The company enhances the information security structure, regularly assigns personnel to participate in the security course and information security promotion, regularly collect intelligence, and conducts penetration testing in order to strengthen the ability of information security personnel to grasp and handle the security incidents in the first time.

System maintenance is an important management procedure for the normal operation of the information system. In order to maintain the operation of the

system, the Company's "Information Security Policy" is based on the three major frameworks, namely "System Maintenance", "Capital Security Control" and "Education and Promotion" through system control, education and training. Through the management procedures of system control, education and training, behavior record, systematic prevention, internal audit, external audit and penetration testing, information security management is strictly implemented in order to protect company confidential documents and employee's personal information.

Other information about the company's information security structure is also disclosed in the corporate governance zone of company's official website

- (vi).The impact of corporate image change on corporate crisis management and corresponding measures

The company is a maintenance company for aircraft professional maintenance, and has always spared no effort in the maintenance quality and personnel training. The past maintenance performance is obvious to the industry and the corporate image is excellent.

- (vii). Expected benefits, possible risks and corresponding measures for M&A: None.

- (viii).Expected benefits, possible risks and corresponding measures for the expansion of the plant: None.

- (ix).Risks and countermeasures in the concentration of purchasing or selling goods

1.Risk in the concentration of purchasing goods

The suppliers of the Company are mostly the original manufacturers of foreign aerospace grades, each having a production niche, so there is no risk of excessive concentration.

2.Risk in the concentration of selling goods

The Company's sales customers are mostly domestic and foreign government agencies and large commercial enterprises, and the relative business risks are relatively low.

- (x).The impact, risks and countermeasures of a large number of shares transferred or replaced by the directors, supervisors or shareholders holding more than 10% of the shares

The Company did not have the above situation in the most recent year and up to the print date of annual report.

- (xi).Impact, risks and corresponding measures of changes in management team on the company,

The Company did not have the above situation in the most recent year and up to the print date of annual report.

- (xii).Case of litigation or non-litigation (up to print date)

1. Because Pan OO et al. were suspected of offense of breach of trust and prosecuted by the prosecutor, the shareholder, Taiwan Sugar Corp., which has a shareholding ratio of more than 10%, with the criminal facts in the public prosecution, claimed that in the sales of land owned by Taiwan Sugar Corp. located in the Liushunan Section, Wufeng County, the selling price was NT\$623,877,231, after payment of land value-added tax of NT\$166,269,960, the actually received price is only NT\$460,616,428. Compared to the originally suggested bottom price NT\$870,000,000, there was a loss of NT\$493,801,072. Therefore, Taiwan Sugar Corp. Files a criminal pleading and an attaching civil pleading against Pan OO, Wu OO, Hong OO, Liu OO, Lu OO and the Chunlong development Co., Ltd , such six person, demanding compensation of damage. On June 9, 2014, with the judgment which was filed in 2012, Taiwan Taichung District Court ruled that Pan OO and Chunlong Development Co., Ltd. should jointly pay to Taiwan Sugar Company for NT\$ 57,673,778, and the rest of the complaint was rejected. Taiwan Sugar Company refused to accept the judgment and filed an appeal. On August 16, 2016, the Taichung Branch Court of the Taiwan High Court ruled that the Taiwan Sugar Company's additional complaints and provisional execution were rejected. Taiwan Sugar Company still refused to accept the result of appeal and filed an appeal to the third instance on September 13, 2016.The Supreme Court ruled on October 12, 2017 that the original judgment was abolished except for the provisional execution and was sent back to the Taichung Branch Court of the Taiwan High Court for retrial. On September 27, 2018, the Taichung Branch Court of Taiwan High Court, by the judgment numbered 107 Zhong Shang Geng (1) Zi No.59, ruled that the portion which Wu OO,

Liu OO, Pan OO and Chunlong Development Co., Ltd. Shall jointly pay to Taiwan Sugar Corp. for NT\$ 57,673,778, and from June 16, 2000 to the date of settlement, the interest calculated at 5 percent of the annual interest rate is abandoned. On the aforementioned abandoned part, Pan OO and Chunlong Development Co., Ltd. shall jointly pay to the Taiwan Sugar Corp. for NT\$60,296,144, and from June 16, 2000 to the settlement date, the interest calculated at 5 percent of the annual interest rate. Wu OO and Liu OO shall respectively pay to NT\$117,969,922, and from June 16, 2000 to the settlement date, the interest calculated at 5 percent of the annual interest rate; other additional complaints of Taiwan Sugar Company were all rejected.

2. The shareholder, Taiwan Sugar Corp., which has a shareholding ratio of more than 10%, and New System Logistics Co., Ltd. (hereinafter referred to as New System Company) had a contractual litigation concerning the “Taiwan Sugar Logistic Park” and Taiwan Sugar Corp demanded New System Company to return the fines, royalties, land rents, liquidated damages and the unjust enrichment equal to the land rent. Taiwan Sugar Corp. won that case in March 2012, so it continued to recover such claims from the New Systems Company in accordance with the law. However, Taiwan Cooperative Bank claimed that the debt between Taiwan Sugar Corp. and New Systems Company, because Taiwan Sugar Corp. advocated the defense right of simultaneous performance to the “system equipment usage fee” and refused to pay such fee to the New Systems Company; therefore, that bank filed a subrogation litigation, and requested the Taiwan Sugar Corp. to return the “System Equipment User Fee” of NT\$ 114,027,000 from June 2001 to April 2003 and the performance deposit of NT\$7,500,000. On May 15, 2014, the Taiwan Taipei District Court ruled that Taiwan Sugar Corp. lost the first trial. Taiwan Sugar Company filed an appeal. On October 13, 2015, the Taiwan High Court ruled that Taiwan Sugar Company lost the second trial. In order to protect the interests of Taiwan Sugar Corp., Taiwan Sugar Corp. filed an appeal in February 2016, and on May 3, 2017, Taiwan Sugar Corp. lost the case in the first retrial. Taiwan Sugar Corp. file the adverse portion of “No obligation to pay” and “Extinctive Prescription Defense” to the third instance. In addition, Taiwan Cooperative Bank also filed an appeal. On July 20, 2018, it was sent back to the Taiwan High Court for retrial by the Supreme Court's judgment numbered 106 Tai Shang Zi No.2048. Now, Taiwan High Court is receiving the case and number it as 107 Zhong Shang Geng 2 Zi

No.2115. And the case is pending.

(xiii).Other important risk and corresponding measures: None.

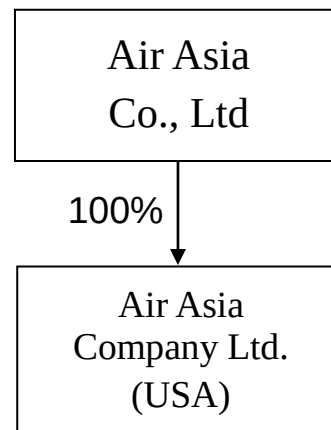
vii.Other important issues: None.

VIII.Special items

i.Relevant information of affiliated enterprises

(i).Consolidated business report for affiliated enterprises

1.Organization chart of affiliated enterprises



2.Description of organization chart of affiliated enterprises

Name of affiliated enterprise	Description	Legal basis
Air Asia Company Ltd. (USA)	Subsidiary whose shares are 100% held by this company	It is in accordance with Article 369-2 of the Company Act. The Company holds the voting shares of that company, which exceeds half of the total number of shares with voting rights of that company has issued. Therefore, this company is the controlling company of that company.

3. Basic information of respective affiliated enterprises

Name of enterprise	Date of incorporation	Address	Paid out	Main business or production item	Remark
Air Asia Company Ltd. (USA)	2002.Feb.27	5525 Daniels ST. Chino, CA 91710	USD 250,000	Aircraft parts and accessories maintenance and sales of aviation materials	-

4.If the company is resumed to have a controlling and affiliated relationship according to the Article 369-3 of the Company Act, the information of same shareholders: Not applicable.

5. Description of business relationship

The industry covered by the overall business operated by the affiliated

Name of affiliated enterprise	Industry
Air Asia Company Ltd. (USA)	Trading industry

6. Information of directors, supervisors and general managers of respective affiliated enterprises

Name of enterprise	Title	Name or representative		shares held	
				Shares	Shares(%)
Air Asia Company Ltd. (USA)	Chairman	Lu Tianlin	Legal representative of Air Asia Company Ltd.	10,000	100.00
	Director	Chao Jinxian	Legal representative of Air Asia Company Ltd.		

7.Operation overview of respective affiliated enterprises

Air Asia Co., Ltd.

2018



Unless otherwise stated, the unit of amount shall be NT\$ 1,000

Name of enterprise	Paid up capital (Note 2)	Total assets	Total liability	Net value	Operating revenue	Operating profit(loss)	Current profit (loss) (after tax)	Earning per share (NT)(after tax)	Remark
Air Asia Company Ltd. (USA)	6,699 USD 250,000	3,636 USD 119,000	38 USD 1,000	3,598 USD 120,000	- -	(59) (USD 2,000)	(83) (USD 3,000)	(8.3) (USD 0.3)	Note 1

Note 1: The assets and liabilities are converted at the exchange rate of USD1 : NTD30.665 on December 28, 2018. The profit and loss is converted into the average exchange rate of USD1:NTD30.1492 in 2018.

Note 2: The amount of paid-in capital is based on the original investment amount.

Chairman:



Manager:



Supervisor
of
Accounting
Division:



(ii).Affiliated enterprise combined financial statement

Declaration of affiliated enterprise combined financial statement

In this company's 2018 fiscal year (from January 1, 2018 to December 31, 2018), the companies to be included the affiliated enterprise combined financial statement according to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" and the companies to be included in the parent-subsidiary combined financial statement according to the No.10 of International Financial Reporting Standards are the same companies. And the relevant information to be disclosed in the affiliated enterprise combined financial statement has been disclosed in the aforementioned parent-subsidiary combined financial statement. Therefore no additional affiliated enterprise combined financial statement will be prepare.

Here we shall especially so declared.

Name of company: Air Asia Co., Ltd.



Chairman: Lu Tian-Lin



January 29, 2019

- (iii).Affiliated enterprise report: None.
- ii.In the most recent year and up to the print date of annual report, the process of private funding of securities: None.
- iii.In the most recent year and up to the print date of annual report, the subsidiary holds or disposes the share of this company: None.
- iv.Other necessary supplementary notes: None.
- v.In the most recent year and up to the print date of annual report, any matter with significant impact to shareholder's equity or security price regulated in Sub-paragraph 2, Paragraph 3, Article 36 pf the Securities and Exchange Act occurs: None.

亞洲航空股份有限公司



Air Asia Company Ltd.

Chairman Lu Tian-Lin

