STARLUX AIRLINES CO., LTD.

INDIVIDUAL FINANCIAL STATEMENTS

WITH REPORT OF INDEPENDENT AUDITORS

FOR THE YEARS ENDED

DECEMBER 31, 2025 AND 2024

Address: 11F, No. 525, Sec. 4, Zhongxiao E. Rd., Xinyi Dist., Taipei City, Taiwan

STARLUX AIRLINES CO., LTD.

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Independent Auditors' Report Translated from Chinese

To Starlux Airlines Co., Ltd.

Opinion

We have audited the accompanying individual balance sheets of Starlux Airlines Co., Ltd. (the "Company") as of December 31, 2025 and 2024, and the related individual statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2025 and 2024, and notes to the individual financial statements, including the summary of material accounting policies (together "the individual financial statements").

In our opinion, the individual financial statements referred to above present fairly, in all material respects, the individual financial position of the Company as of December 31, 2025 and 2024, and their individual financial performance and cash flows for the years ended December 31, 2025 and 2024, in conformity with the requirements of 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 and became effective by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Individual 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, 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 2025 individual financial statements. These matters were addressed in the context of our audit of the individual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of Passenger Revenue

For the year ended December 31, 2025, the amount of passenger revenue was NT$35,451,719 thousand, which was the major operating activities of the Company and comprised 80% of the total revenue. In accordance with IFRS 15 "Revenue from Contracts with Customers", passenger ticket sales are accounted for as contract liabilities before transportation services are provided and as passenger revenue after such services are rendered. Since the passenger revenue accounted for a great proportion of the total revenue and the amount was material to the financial statements, we identified recognition of passenger revenue as a key audit matter.

We performed audit procedures including but not limited to obtaining an understanding, evaluating the design, and testing the operating effectiveness, of internal controls over the Company's passenger revenue recognition process; obtaining an understanding, evaluating the design, and testing the effectiveness, of information system involved in the Company's passenger revenue recognition process; obtaining a list of flown tickets and selecting a certain number of them to test if the proceeds were collected and the periods where the revenue being recognized was consistent with the flight dates; performing analytical procedures on revenue and comparing with internal and external information to assess the reasonableness of such variances.

In addition, we evaluated the adequacy of disclosures of passenger revenue. Please refer to Notes 4 and 6 to the individual financial statements.

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

Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with the requirements of 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 individual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual 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.

Auditors' Responsibilities for the Audit of the Individual Financial Statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the individual 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 Company.

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 Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the individual 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the individual financial statements, including the accompanying notes, and whether the individual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2025 individual financial statements and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

/s/Yu, Chien-Ju

/s/Huang, Tzu-Ping

Ernst & Young, Taiwan

March 10, 2026

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

Accordingly, the accompanying individual financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or Standards on Auditing of the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Individual Financial Statements Originally Issued in Chinese
STARLUX AIRLINES CO., LTD.
INDIVIDUAL BALANCE SHEETS
December 31, 2025 and 2024
(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2025		December 31, 2024	
Assets	Notes	Amount	%	Amount	%
Current assets					
Cash and cash equivalents	4 and 6	$15,339,816	11	$16,041,913	13
Financial assets at fair value through profit or loss, current	4 and 6	1,004,398	1	-	-
Financial assets measured at amortized cost, current	4, 6 and 8	311,949	-	613,712	1
Financial assets for hedging, current	4 and 6	6,123	-	-	-
Notes receivable, net	4 and 6	103,628	-	79,773	-
Accounts receivable, net	4 and 6	1,536,695	1	1,128,412	1
Other receivables	4	120,393	-	69,077	-
Other receivables-related parties	4 and 7	473	-	-	-
Current tax assets	4	53,384	-	24,973	-
Inventories	4 and 6	2,684,362	2	1,613,621	1
Other current assets	7	1,169,181	1	1,030,645	1
Total current assets		22,330,402	16	20,602,126	17
Non-current assets					
Financial assets measured at amortized cost, non-current	4, 6 and 8	1,107,233	1	1,066,990	1
Property, plant and equipment	4, 6 and 8	55,404,060	40	45,993,511	39
Right-of-use assets	4 and 6	33,579,438	25	33,462,263	28
Intangible assets	4	175,014	-	177,434	-
Deferred tax assets	4, 5 and 6	2,220,065	2	2,331,353	2
Prepayment for equipment	6	21,191,501	15	14,200,477	12
Refundable deposits		1,289,847	1	1,230,647	1
Total non-current assets		114,967,158	84	98,462,675	83
Total assets		$137,297,560	100	$119,064,801	100

The accompanying notes are an integral part of the individual financial statements.

English Translation of Individual Financial Statements Originally Issued in Chinese
STARLUX AIRLINES CO., LTD.
INDIVIDUAL BALANCE SHEETS
December 31, 2025 and 2024
(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	December 31, 2025		December 31, 2024	
		Amount	%	Amount	%
Current liabilities					
Financial liabilities for hedging, current	4 and 6	$3,711,971	3	$3,505,333	3
Contract liabilities, current	4 and 6	8,686,147	6	7,737,370	7
Accounts payable		3,469,105	3	2,759,926	2
Accounts payable-related parties	7	483	-	417	-
Other payables		1,057,588	1	1,076,108	1
Lease liabilities, current	4 and 6	234,163	-	277,356	-
Current portion of long-term loans	4, 6 and 8	1,586,798	1	1,853,339	2
Other current liabilities		1,422,280	1	969,849	1
Total current liabilities		20,168,535	15	18,179,698	16
Non-current liabilities					
Financial liabilities for hedging, non-current	4 and 6	29,825,599	22	31,066,349	26
Contract liabilities, non-current	4 and 6	427,654	-	189,958	-
Bonds payable	6	4,992,822	4	-	-
Long-term loans	4, 6 and 8	47,866,064	35	36,996,425	31
Provisions, non-current	4, 5 and 6	955,092	-	946,413	1
Deferred tax liabilities	4, 5 and 6	120,918	-	142,572	-
Lease liabilities, non-current	4 and 6	1,480,141	1	1,654,491	1
Guarantee deposits		64,447	-	50,444	-
Total non-current liabilities		85,732,737	62	71,046,652	59
Total liabilities		105,901,272	77	89,226,350	75
Equity	6				
Capital					
Common stock		30,087,350	22	30,087,350	25
Capital surplus		2,044,685	2	9,775,179	8
Retained earnings					
Unappropriated earnings (Accumulated losses)		272,608	-	(7,730,494)	(6)
Other equity		(1,008,355)	(1)	(2,293,584)	(2)
Total equity		31,396,288	23	29,838,451	25
Total liabilities and equity		$137,297,560	100	$119,064,801	100

The accompanying notes are an integral part of the individual financial statements.

English Translation of Individual Financial Statements Originally Issued in Chinese

STARLUX AIRLINES CO., LTD.

INDIVIDUAL STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2025 and 2024

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

Items	Notes	2025		2024	
		Amount	%	Amount	%
Net operating revenue	4, 6 and 7	$44,053,262	100	$35,546,851	100
Operating costs	6 and 7	(37,346,211)	(85)	(28,355,417)	(80)
Gross porfit		6,707,051	15	7,191,434	20
Operating expenses	4, 6 and 7				
General and administrative expenses		(5,069,019)	(11)	(4,821,146)	(14)
Expected credit impairment losses		(771)	-	(526)	-
Subtotal		(5,069,790)	(11)	(4,821,672)	(14)
Operating income		1,637,261	4	2,369,762	6
Non-operating income and loss	4, 6 and 7				
Other income		249,689	-	228,923	1
Other gains and losses		(478,262)	(1)	(327,371)	(1)
Finance costs		(1,365,217)	(3)	(977,813)	(3)
Subtotal		(1,593,790)	(4)	(1,076,261)	(3)
Income before income tax		43,471	-	1,293,501	3
Income tax benefit	4, 5 and 6	229,137	1	30,937	-
Net income		272,608	1	1,324,438	3
Other comprehensive income	4 and 6				
Items that may be reclassified subsequently to profit or loss					
Gains (losses) on hedging instruments		1,604,000	4	(1,911,623)	(5)
Income tax related to items that may be reclassified subsequently		(318,771)	(1)	382,325	1
Total other comprehensive income (loss), net of tax		1,285,229	3	(1,529,298)	(4)
Total comprehensive income (loss)		$1,557,837	4	$(204,860)	(1)
Earnings per share (NT$)	4 and 6				
Basic earnings per share		$0.09		$0.53	
Diluted earnings per share		$0.09		$0.53	

The accompanying notes are an integral part of the individual financial statements.

English Translation of Individual Financial Statements Originally Issued in Chinese

STARLUX AIRLINES CO., LTD.

INDIVIDUAL STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2025 and 2024

(Expressed in Thousands of New Taiwan Dollars)

Items	Capital		Retained earnings	Other equity	
	Common stock	Capital surplus	Unappropriated earnings (Accumulated losses)	Gains and losses on hedging instruments	Total equity
Balance as of January 1, 2024	$20,887,350	$2,451,220	$(11,506,152)	$(764,286)	$11,068,132
Accumulated losses offset by capital surplus	-	(2,451,220)	2,451,220	-	-
Net income for the year ended December 31, 2024	-	-	1,324,438	-	1,324,438
Other comprehensive income (loss), net of tax for the year ended December 31, 2024	-	-	-	(1,529,298)	(1,529,298)
Total comprehensive income (loss) for the year ended December 31, 2024	-	-	1,324,438	(1,529,298)	(204,860)
Issue of shares	9,200,000	9,348,973	-	-	18,548,973
Share-based payment	-	426,206	-	-	426,206
Balance as of December 31, 2024	$30,087,350	$9,775,179	$(7,730,494)	$(2,293,584)	$29,838,451
Balance as of January 1, 2025	$30,087,350	$9,775,179	$(7,730,494)	$(2,293,584)	$29,838,451
Accumulated losses offset by capital surplus	-	(7,730,494)	7,730,494	-	-
Net income for the year ended December 31, 2025	-	-	272,608	-	272,608
Other comprehensive income (loss), net of tax for the year ended December 31, 2025	-	-	-	1,285,229	1,285,229
Total comprehensive income (loss) for the year ended December 31, 2025	-	-	272,608	1,285,229	1,557,837
Balance as of December 31, 2025	$30,087,350	$2,044,685	$272,608	$(1,008,355)	$31,396,288

The accompanying notes are an integral part of the individual financial statements.

English Translation of Individual Financial Statements Originally Issued in Chinese

STARLUX AIRLINES CO., LTD.

INDIVIDUAL STATEMENTS OF CASH FLOWS

For the years ended December 31, 2025 and 2024

(Expressed in Thousands of New Taiwan Dollars)

Items	2025 Amount	2024 Amount
Cash flows from operating activities:		
Net income before tax	$43,471	$1,293,501
Adjustments to reconcile net income before tax to net cash provided by operating activities:		
Items of incomes and expenses:		
Depreciation	7,067,842	5,511,093
Amortization	100,067	151,408
Expected credit impairment losses	771	526
Gains on financial assets at fair value through profit or loss	(4,398)	-
Interest expense	1,365,217	977,813
Gains on disposal of property, plant and equipment	(3,192)	(394)
Interest income	(239,225)	(220,551)
Share-based payment	-	426,206
Changes in operating assets and liabilities:		
Notes receivable	(23,855)	(4,186)
Accounts receivable	(409,054)	(452,634)
Other receivables	(102,521)	8,370
Other receivables-related parties	(473)	-
Inventories	(609,550)	(532,758)
Other current assets	(138,536)	168,853
Contract liabilities	1,186,473	2,802,981
Accounts payable	709,179	483,679
Accounts payable-related parties	66	417
Other payables	(43,183)	561,400
Provisions	(6,135)	-
Other current liabilities	452,431	234,926
Cash provided by operations	9,345,395	11,410,650
Interest received	290,430	188,091
Interest paid	(1,547,116)	(617,666)
Income tax paid	(28,411)	(15,594)
Net cash provided by operating activities	8,060,298	10,965,481
Cash flows from investing activities:		
Decrease in financial assets measured at amortized cost	261,520	52,935
Acquisition of financial assets measured at fair value through profit or loss	(1,000,000)	-
Acquisition of property, plant and equipment	(13,188,668)	(23,810,211)
Proceeds from disposal of property, plant and equipment	4,844	704
Acquisition of intangible assets	(97,647)	(64,111)
Increase in prepayment for equipment	(6,770,547)	(5,790,293)
Increase in refundable deposits	(59,200)	(392,363)
Net cash used in investing activities	(20,849,698)	(30,003,339)
Cash flows from financing activities:		
Increase in short-term loans	1,305,000	2,010,000
Decrease in short-term loans	(1,305,000)	(2,860,000)
Increase in short-term notes payable	-	1,000,000
Decrease in short-term notes payable	-	(1,300,000)
Proceeds from bonds issued	4,992,822	-
Increase in long-term loans	17,183,800	28,480,450
Decrease in long-term loans	(6,580,702)	(12,916,206)
Payments of lease liabilities	(3,486,135)	(3,601,497)
Increase in guarantee deposits	14,003	29,672
Proceeds from issuing shares	-	18,548,973
Net cash provided by financing activities	12,123,788	29,391,392
Effect of exchange rate changes on cash and cash equivalents	(36,485)	47,861
Net (decrease) increase in cash and cash equivalents	(702,097)	10,401,395
Cash and cash equivalents at beginning of year	16,041,913	5,640,518
Cash and cash equivalents at end of year	$15,339,816	$16,041,913

The accompanying notes are an integral part of the individual financial statements.

STARLUX AIRLINES CO., LTD.
NOTES TO INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 and 2024
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Stated)

1. History and Organization

Starlux Airlines Co., Ltd. (“the Company”) was incorporated under the laws of the Republic of China (“R.O.C.”) on May 2, 2018. The Company is engaged mainly in the civil air transportation service. The Company’s registered office and the main business location is at 11F, No. 525, Sec. 4, Zhongxiao E. Rd., Xinyi Dist., Taipei City, Taiwan. The Company’s stocks began to be traded on the Taiwan Stock Exchange on October 25, 2024.

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

The individual financial statements of the Company for the years ended December 31, 2025 and 2024 were authorized for issue by the Board of Directors on March 10, 2026.

3. Newly Issued or Revised Standards and Interpretations

(1) 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 2026. The adoption of these new standards and amendments had no material impact on the Company.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which have been endorsed by FSC, and not yet adopted by the Company as at the date when the Company’s financial statements were authorized for issue, are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
A	IFRS 17 “Insurance Contracts”	January 1, 2023
B	Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7	January 1, 2026
C	Annual Improvements to IFRS Accounting Standards – Volume 11	January 1, 2026
D	Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7	January 1, 2026

A. 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 fulfillment cash flows and the contractual service margin. The carrying amount of a group of 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.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after January 1, 2023.

B. Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7

The amendments include:

a. Clarify that a financial liability is derecognised on the settlement date and describe the accounting treatment for settlement of financial liabilities using an electronic payment system before the settlement date.
b. Clarify how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features.
c. Clarify the treatment of non-recourse assets and contractually linked instruments.
d. Require additional disclosures in IFRS 7 for financial assets and liabilities with contractual terms that reference a contingent event (including those that are ESG-linked), and equity instruments classified at fair value through other comprehensive income.

C. Annual Improvements to IFRS Accounting Standards – Volume 11

a. Amendments to IFRS 1
b. Amendments to IFRS 7
c. Amendments to Guidance on implementing IFRS 7
d. Amendments to IFRS 9
e. Amendments to IFRS 10
f. Amendments to IAS 7

D. Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7

The amendments include:

a. Clarify the application of the 'own-use' requirements.
b. Permit hedge accounting if these contracts are used as hedging instruments.
c. Add new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows.

The abovementioned standards and amendments are applicable for annual periods beginning on or after January 1, 2026 and have no material impact on the Company. The Company has assessed that there is no material impact except for items B to D, for which the company is currently assessing the potential impact of the newly issued or amended standards or interpretations and is temporarily unable to reasonably estimate their effects.

(3) Standards or interpretations issued, revised or amended, by IASB which have not been endorsed by FSC, and not yet adopted by the Company as at the date when the Company's financial statements were authorized for issue 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 18 "Presentation and Disclosure in Financial Statements"	January 1, 2027 (Note)
C	Disclosure Initiative – Subsidiaries without Public Accountability: Disclosures (IFRS 19)	January 1, 2027
D	Translation to a Hyperinflationary Presentation Currency (Amendments to IAS 21 and IAS 29)	January 1, 2027

Note: On September 25 2025, the FSC announced in a press release that Taiwan will adopt IFRS 18 in 2028.

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

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 losses 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.

B. IFRS 18 "Presentation and Disclosure in Financial Statements"

IFRS 18 replaces IAS 1 Presentation of Financial Statements. The main changes are as below:

a. Improved comparability in the statement of profit or loss (income statement)
IFRS 18 requires entities to classify all income and expenses within their statement of profit or loss into one of five categories: operating; investing; financing; income taxes; and discontinued operations. The first three categories are new, to improve the structure of the income statement, and requires all entities to provide new defined subtotals, including operating profit or loss. The improved structure and new subtotals will give investors a consistent starting point for analyzing entities' performance and make it easier to compare entities.

b. Enhanced transparency of management-defined performance measures
IFRS 18 requires entities to disclose explanations of those entity-specific measures that are related to the income statement, referred to as management-defined performance measures.

c. Useful grouping of information in the financial statements
IFRS 18 sets out enhanced guidance on how to organize information and whether to provide it in the primary financial statements or in the notes. The changes are expected to provide more detailed and useful information. IFRS 18 also requires entities to provide more transparency about operating expenses, helping investors to find and understand the information they need.

C. Disclosure Initiative – Subsidiaries without Public Accountability: Disclosures (IFRS 19)

This new standard and its amendments permit subsidiaries without public accountability to provide reduced disclosures when applying IFRS Accounting Standards in their financial statements. IFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it.

D. Translation to a Hyperinflationary Presentation Currency (Amendments to IAS 21 and IAS 29)

The amendments include:

a. Clarify that when the entity's functional currency is that of a non-hyperinflationary economy but its presentation currency is the currency of a hyperinflationary economy, the entity shall translate its results and financial position using the closing rate at the date of the most recent statement of financial position.

b. In the above circumstances, when the presentation currency ceases to be hyperinflationary economy, the entity shall not retranslate amounts that arose before the beginning of the reporting period.

c. When the entity's functional currency and presentation currency are the currency of a hyperinflationary economy, the entity shall apply the relevant accounting treatment in accordance with paragraph 34 of IAS 29.

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. As the Company is still currently determining the potential impact of the new or amended standards and interpretations listed under B to D, it is not practicable to estimate their impact on the Company at this point in time. The remaining new or amended standards and interpretations have no material impact on the Company.

4. Summary of Significant Accounting Policies

(1) Statement of compliance

The individual financial statements of the Company for the years ended December 31, 2025 and 2024 have been prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by the FSC.

(2) Basis of preparation

The individual financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The individual financial statements are expressed in thousands of New Taiwan Dollars ("NT$") unless otherwise stated.

(3) Foreign currency transactions

The Company's individual financial statements are presented in NT$.

Transactions in foreign currencies are initially recorded by the Company at the functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as of 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:

A. 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.
B. Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.
C. 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) Current and non-current distinction

An asset is classified as current when:

A. The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
B. The Company holds the asset primarily for the purpose of trading
C. The Company expects to realize the asset within twelve months after the reporting period
D. 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:

A. The Company expects to settle the liability in its normal operating cycle
B. The Company holds the liability primarily for the purpose of trading
C. The liability is due to be settled within twelve months after the reporting period
D. The Company does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

(5) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposit or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including fixed-term deposits that have maturities of 12 months from the date of acquisition).

(6) 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 are recognized initially at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

A. Financial instruments: Recognition and Measurement

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:

a. the Company's business model for managing the financial assets and
b. the contractual cash flow characteristics of the financial asset.

<u>Financial assets measured at amortized cost</u>

A financial asset is measured at amortized cost if both of the following conditions are met and presented as cash and cash equivalents (cash on hand excluded), 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 (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. 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.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

a. purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
b. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

<u>Financial assets measured at fair value through other comprehensive income</u>

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

a. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets 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.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

a. A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
b. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

c. Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
   i. Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
   ii. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represent a recovery of part of the cost of investment.

Financial assets measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

The Company 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.

The loss allowance is measured as follows:

a. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
b. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
c. 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.
d. For lease receivables arising from transactions within the scope of IFRS 16, 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 12 for further details on credit risk.

C. Derecognition of financial assets

A financial asset is derecognized when:

a. The 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.

D. 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 are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

a. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
b. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
c. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

a. it eliminates or significantly reduces a measurement or recognition inconsistency; or
b. a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

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

E. 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.

(7) Derivative instrument

The Company uses derivative instruments to hedge its foreign currency risks, interest rate risks and fuel price risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss except for derivatives that are designated as effective hedging instruments which are classified as financial assets or liabilities for hedging.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of hedges, which is recognized in either profit or loss or equity according to types of hedges used.

When the host contracts are either non-financial assets or liabilities, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not designated at fair value through profit or loss.

(8) Non-derivative financial instruments for hedging

The Company uses a part of the financial liabilities to hedge the foreign currency risk exposure; and if effective, recognizes as financial assets or liabilities for hedging on the balance sheet.

At the inception of the hedging designation, the Company documents the risk management objective, hedging strategy and the economic relationship between the hedged item and the hedging instrument, which includes whether the changes in cash flows of the hedged items and hedging instrument are expected to offset each other.

Changes in fair value of hedging instruments designated and qualified as cash flow hedge are recognized in other comprehensive income and accumulated in “other equity – gains (losses) on hedging instruments”. Any ineffective position is recognized in profit or loss.

Gains/losses recognized in other comprehensive income and accumulated in other equity are reclassified to profit and loss and recognized under the same account as the hedged item are under the statement of comprehensive income in the same period during which the hedged item affects profit or loss. However, gains/losses recognized in other comprehensive income and accumulated in “other equity – gains (losses) on hedging instruments” are transferred into the original carrying amount of the non-financial assets/liabilities when the hedged forecast transactions are recognized as non-financial assets/liabilities.

(9) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

A. In the principal market for the asset or liability, or
B. In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(10) Inventories

Inventories are primarily expendable and nonexpendable supplies, materials, and equipment used in operations and merchandises for in-flight sale.

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 using the weighted-average method.

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

(11) 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:

Buildings	
Main buildings	50 years
Others	8~20 years
Lease improvement	The shorter of lease terms or economic useful lives
Machinery and other equipment	
Electro-mechanical equipment	5~20 years
Others	4~20 years
Aircraft	
Airframe	20 years
Aircraft cabins	12 years
Engines	20 years
Leased aircraft improvement	12 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 residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(12) Leases

For contracts entered on the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

A. the right to obtain substantially all of the economic benefits from use of the identified asset; and
B. the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximizing the use of observable information.

Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

A. fixed payments (including in-substance fixed payments), less any lease incentives receivable;
B. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
C. amounts expected to be payable by the lessee under residual value guarantees;
D. the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
E. payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortized cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

A. the amount of the initial measurement of the lease liability;
B. any lease payments made at or before the commencement date, less any lease incentives received;
C. any initial direct costs incurred by the lessee; and
D. an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 "Impairment of Assets" to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Company as a lessor

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

(13) 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 of 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 are 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.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life.

A summary of the policies applied to the Company's intangible assets is as follows:

	Computer software
Useful lives	Finite
Amortization method used	Amortized on a straight-line basis over the estimated useful life (5 years)
Internally generated or acquired	Acquired

(14) Impairment of non-financial assets

The Company assesses at the end of each reporting period 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 estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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.

(15) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable 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.

The liability to pay a levy is recognized progressively if the obligating event occurs over a period of time.

Provision for decommissioning, restoration and rehabilitation costs

The provision for decommissioning, restoration and rehabilitation costs arose on construction of a property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

(16) Revenue recognition

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 merchandise. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers, meaning that clients direct the use of the goods and obtain substantially all of the remaining benefits from goods.

For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as accounts receivable. The Company usually collects the payments shortly after the transfer of goods to customers; therefore, there is no significant financing component to the contract.

Rendering of services

The Company's service revenues mainly consist of passenger fares and cargo revenues. The advanced receipts when passenger tickets are sold are accounted for under contract liabilities because the transport obligations have not been performed. Revenues will be recognized after passengers take flights.

The Company allocates the fair values of service revenues to rendering of services and the customer loyalty programme. The allocations take into account the stand-alone selling prices of the customer loyalty programme to measure the amounts to be allocated to the customer loyalty programme. Revenues allocated to the customer loyalty programme are deferred and accounted for under contract liabilities and recognized as revenues when customers elect to exchange the customer loyalty programme.

(17) Borrowing costs

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.

(18) Post-employment benefits

For the defined contribution plan, the Company 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.

(19) Share-based payment transactions

The cost of equity-settled transactions between the Company and its 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.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it was vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

(20) Income taxes

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

Deferred tax

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

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

A. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
B. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, 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 tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that 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:

A. Where the deferred 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; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
B. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred 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 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 tax assets and deferred 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 tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred 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 taxes relate to the same taxable entity and the same taxation authority.

According to the temporary exception in the International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12), information about deferred tax assets and liabilities related to Pillar Two income tax will neither be recognized nor be disclosed.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's individual 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, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

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

(1) Decommissioning provisions

The decommissioning provisions of leased aircraft are estimated based on the restoration obligation stated in the lease agreements. The measurement of decommissioning provisions might be adjusted when the timing, value, and discount rate of outflow of resources embodying economic benefits change.

(2) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective the Company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

6. Contents of Significant Accounts

(1) Cash and cash equivalents

	As of December 31,	
	2025	2024
Cash on hand	$29,547	$30,576
Checking and saving accounts	5,334,214	3,106,300
Time deposits	9,976,055	12,905,037
Total	$15,339,816	$16,041,913

(2) Financial assets at fair value through profit or loss, current

	As of December 31,	
	2025	2024
Mandatorily measured at fair value through profit or loss:		
Funds	$1,004,398	$-

Financial assets at fair value through profit or loss were not pledged.

(3) Financial assets measured at amortized cost

	As of December 31,	
	2025	2024
Time deposits	$1,134,729	$1,491,656
Saving accounts	274,037	188,629
Others	10,416	417
Less: loss allowance	-	-
Total	$1,419,182	$1,680,702

	As of December 31,	
	2025	2024
Current	$311,949	$613,712
Non-current	1,107,233	1,066,990
Total	$1,419,182	$1,680,702

The credit risks for the Company's financial assets measured at amortized cost as of December 31, 2025 and 2024 were assessed as low and the Company's counterparties were banks and financial institutions with good credit rating. Therefore, the loss allowance was measured at NT$0 (loss rate 0%) for both years.

Please refer to Note 8 for more details on financial assets measured at amortized cost under pledge. Please refer to Note 12 for more details on credit risk.

(4) Financial assets and liabilities for hedging

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

	As of December 31,	
	2025	2024
Financial assets for hedging		
Forward currency contracts	$6,123	$-
Current	$6,123	$-
Non-current	-	-

	As of December 31,	
	2025	2024
Financial liabilities for hedging		
Foreign currency component of non-derivative lease liabilities	$33,537,570	$34,571,682
Current	$3,711,971	$3,505,333
Non-current	29,825,599	31,066,349

B. Derivative Instruments

The company designates forward fuel contracts to hedge the risk of fuel price fluctuations. The details of cash flow hedging items and designated non-derivative financial instruments as of December 31, 2025 and 2024 are as follows:

		Lease liabilities designated as hedging instruments		
		As of		
Hedged item	Hedging instrument	December 31, 2025	December 31, 2024	Period when cash flows are expected to occur
Foreign currency	Forward currency	$6,123	$-	2025.12.31~2026.1.5

C. The foreign currency component of non-derivative lease liabilities

The Company uses the foreign currency component of lease liabilities to hedge foreign currency risk on the cash inflow from operating revenue with a highly probable forecast transaction. As of December 31, 2025 and 2024, the cash flow hedged items and non-derivate financial hedging instruments designated for hedging were as follows：

		Lease liabilities designated as hedging instruments			
		As of			
Hedged item	Hedging instrument	December 31, 2025	December 31, 2024	Period when cash flows are expected to occur	Period when profit or loss is affected
Foreign currency of operating revenue	Foreign currency of lease liabilities	$33,537,570	$34,571,682	2024~2037	2024~2037

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

	For the years ended December 31,	
	2025	2024
Recognized in other comprehensive income	$1,604,000	$(1,911,623)
Reclassified to profit or loss	(164,856)	(275,951)

(5) Notes Receivable and Accounts Receivable

	As of December 31,	
	2025	2024
Notes receivable	$103,628	$79,773
Accounts receivable	1,537,977	1,128,938
Less: loss allowance	(1,282)	(526)
Total	$1,640,323	$1,208,185

The Company's notes receivable and accounts receivable were not pledged.

Accounts receivable are generally on 30-90 day terms. The total carrying amount as of December 31, 2025 and 2024 were NT$1,641,605 thousand and NT$1,208,711 thousand, respectively. Please refer to Note 12 for more details on credit risk.

The counterparties of the Company's notes and accounts receivable are financial institutions and settlement systems with good credit rating. Based on the historical default rate and subsequent collections, the Company assesses that there are no material credit losses on related receivables. The relevant information of provision matrix as of December 31, 2025 and 2024, was as follows:

As of December 31, 2025

	Not yet due	Overdue <=30 days	Overdue 31-60 days	Overdue 61-90 days	Overdue >90 days	Total
Gross carrying amount	$1,587,456	$48,638	$2,116	$2,171	$1,224	$1,641,605
Loss rate	-%	-%	-%	10%	86%	
Lifetime expected credit losses	-	-	-	(227)	(1,055)	(1,282)
Total	$1,587,456	$48,638	$2,116	$1,944	$169	$1,640,323

As of December 31, 2024

	Not yet due	Overdue <=30 days	Overdue 31-60 days	Overdue 61-90 days	Overdue >90 days	Total
Gross carrying amount	$1,162,647	$45,179	$74	$205	$606	$1,208,711
Loss rate	-%	-%	-%	9%	84%	
Lifetime expected credit losses	-	-	-	(18)	(508)	(526)
Total	$1,162,647	$45,179	$74	$187	$98	$1,208,185

The movements of loss allowance for the years ended December 31, 2025 and 2024, were as follows：

	For the years ended December 31, 2025	For the years ended December 31, 2024
Beginning balance	$526	$-
Charge/(reversal) for the current period	771	526
Write off due to uncollectibility	(15)	-
Ending balance	$1,282	$526

(6) Inventories

	As of December 31, 2025	As of December 31, 2024
Aircraft spare part	$1,821,379	$773,424
Merchandise for in-flight sales and services	862,983	840,197
Total	$2,684,362	$1,613,621

The cost of inventories recognized in expenses amounted to NT$877,139 thousand and NT$636,434 thousand for the years ended December 31, 2025 and 2024, respectively.

The Company’s inventories were not pledged.

(7) Property, plant and equipment

	As of December 31, 2025	As of December 31, 2024
Owner occupied property, plant and equipment	$55,404,060	$45,993,511

	Buildings	Aircraft	Machinery and other equipment	Lease improvement	Total
Cost:					
2025.1.1	$3,405,941	$41,205,822	$4,175,276	$1,326,547	$50,113,586
Additions	12,701	11,546,442	1,360,732	268,793	13,188,668
Reclassification	2,330	19,146	(597,040)	(5,600)	(581,164)
Disposals	-	-	(15,834)	(90,045)	(105,879)
2025.12.31	$3,420,972	$52,771,410	$4,923,134	$1,499,695	$62,615,211
2024.1.1	$3,397,697	$18,593,621	$3,188,421	$1,125,084	$26,304,823
Additions	8,065	22,612,201	988,482	201,463	23,810,211
Reclassification	179	-	-	-	179
Disposals	-	-	(1,627)	-	(1,627)
2024.12.31	$3,405,941	$41,205,822	$4,175,276	$1,326,547	$50,113,586
Accumulated depreciation:					
2025.1.1	$209,777	$2,205,922	$1,229,560	$474,816	$4,120,075
Depreciation	110,870	2,579,375	463,153	161,878	3,315,276
Reclassification	(8)	431	(118,035)	(2,361)	(119,973)
Disposals	-	-	(14,182)	(90,045)	(104,227)
2025.12.31	$320,639	$4,785,728	$1,560,496	$544,288	$7,211,151
2024.1.1	$99,846	$859,760	$830,084	$345,262	$2,134,952
Depreciation	109,752	1,346,162	400,752	129,595	1,986,261
Disposals	179	-	41	(41)	179
Others	-	-	(1,317)	-	(1,317)
2024.12.31	$209,777	$2,205,922	$1,229,560	$474,816	$4,120,075
Net carrying amount:					
2025.12.31	$3,100,333	$47,985,682	$3,362,638	$955,407	$55,404,060
2024.12.31	$3,196,164	$38,999,900	$2,945,716	$851,731	$45,993,511

Capitalized borrowing costs of prepayment for equipment for the years ended December 31, 2025 and 2024 were NT$220,477 thousand and NT$171,113 thousand, with capitalization rate of borrowing costs at 1.89%~1.98% and 1.84%~1.96%, respectively.

The significant parts of buildings, the main building and others (renovation, mechanical and electrical engineering, etc.), are depreciated using the estimated useful life of 50 years and 8~20 years, respectively.

The significant parts of aircraft, the airframe, engines, and aircraft cabins, are depreciated using the estimated useful life of 20 years, 20 years, and 12 years, respectively.

Please refer to Note 8 for more details on property, plant and equipment under pledge.

(8) Prepayment for equipment

	As of December 31,	
	2025	2024
Prepayment for aircraft	$17,789,694	$11,136,638
Prepayment for construction	3,016,355	2,829,469
Others	385,452	234,370
Total	$21,191,501	$14,200,477

(9) Long-term loans

	As of December 31, 2025			
	Currency	Interest Rates	Maturity Date	Amount
Unsecured bank loans	NTD	1.82%~2.54%	2027.3.4~2031.9.30	$8,326,200
Secured bank loans (Note)	NTD	2.13%~2.47%	2026.10.23~2037.3.17	41,126,662
Subtotal				49,452,862
Less: current portion				(1,586,798)
Total				$47,866,064

	As of December 31, 2024			
	Currency	Interest Rates	Maturity Date	Amount
Unsecured bank loans	NTD	1.92%~2.61%	2025.1.2~2031.9.30	$7,228,377
Secured bank loans (Note)	NTD	2.10%~2.57%	2026.3.9~2036.12.17	31,621,387
Subtotal				38,849,764
Less: current portion				(1,853,339)
Total				$36,996,425

Note: Please refer to Note 8 for more details on secured bank loans.

On September 13, 2022, March 6, 2023, July 20, 2023, and January 3, 2024, the Company entered into syndicated loan agreements with several financial institutions, including Taiwan Cooperative Bank, Chang Hwa Commercial Bank, Bank of Taiwan, and Land Bank of Taiwan. The loans are for NT$3,820,000 thousand, NT$4,060,000 thousand, NT$8,000,000 thousand and NT$32,000,000 thousand, each with a twelve-year term.

The loan agreements stipulate that before debt repayment, the Company must comply with restrictions related to liquidity ratio, interest coverage ratio, and net tangible assets. The agreements require annual examination by each bank syndicate, based on the annual financial reports, which are audited (or reviewed) by an independent auditor.

If the Company fails to meet the financial covenants within the agreed period through capital increases or other means, and if the bank syndicate determines that a default has occurred, the loan credit amounts will be automatically terminated, and all debts will become immediately due. The Company must fully repay all debts under this agreement upon notification by the managing bank.

The Company’s unpaid syndicated loans amounted to NT$29,821,822 thousand as of December 31, 2025.

(10) Bonds payable

	As of December 31,	
	2025	2024
Domestic unsecured bonds	$5,000,000	$-
Less: bond issuance cost	(7,178)	-
Less: current portion due within one year	-	-
Net	$4,992,822	$-

The terms and conditions of the bonds are as follows:

Type of bonds	Issuance period	Issued amount	Repayment	Coupon rate
1st issue of domestic secured bonds in 2025	2025.10.28~ 2028.10.28	$2,000,000	Interest will be paid annually and the principal will be repayable upon maturity.	1.70%
2nd issue of domestic secured bonds in 2025	2025.10.29~ 2028.10.29	500,000	Interest will be paid annually and the principal will be repayable upon maturity.	1.75%
3rd issue of domestic secured bonds in 2025	2025.10.29~ 2030.10.29	1,500,000	Interest will be paid annually and the principal will be repayable upon maturity.	1.78%
4th issue of domestic secured bonds in 2025	2025.10.29~ 2030.10.29	1,500,000	Interest will be paid annually and the principal will be repayable upon maturity.	1.78%

(11) Post-employment benefits

Defined contribution plan

Expenses under the defined contribution plan for the years ended December 31, 2025 and 2024 were NT$259,006 thousand and NT$211,322 thousand, respectively.

(12) Provisions

	Decommissioning, restoration and rehabilitation
As of January 1, 2025	$946,413
Arising during the period	28,469
Utilized during the period	(6,135)
Unwinding of discount from the passage of time	13,915
Effect of exchange rate changes	(27,570)
As of December 31, 2025	$955,092
Non-current – As of December 31, 2025	$955,092
Non-current – As of December 31, 2024	$946,413

Provisions were recognized for decommissioning costs associated with leased aircrafts and offices and were measured based on the discounted cashflow for the expected obligation settlement.

(13) Equity

A. Common stock

The Company's authorized capital was NT$70,000,000 thousand and its issued capital was NT$30,087,350 thousand, which was divided into 3,008,735 thousand shares at each NT$10 par value, as of December 31, 2025 and 2024. Each share has one voting right and a right to receive dividends.

On December 11, 2023, the Company's Board of Directors resolved to issue new stocks by cash in a total of no more than NT$8.5 billion and authorized the chairman of the board to decide to issue new common stock by cash in an expected total of NT$8,100,000 thousand for 450,000 thousand shares with a premium value of NT$18 and state March 29, 2024 as stock issuance base date on December 26, 2023. The registration was completed on April 15, 2024.

On August 28, 2024, the Company's Board of Directors resolved to issue new stocks by cash with 470,000 thousand shares for underwriting before listing and authorized the chairman of the board to state October 23, 2024 as stock issuance base date on September 30, 2024. The stock issued in a total of NT$10,448,973 thousand. The registration was completed on November 6, 2024.

B. Capital surplus

	As of December 31,	
	2025	2024
Additional paid-in capital	$2,044,685	$9,775,179

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 to its shareholders in proportion to the number of shares being held by each of them.

On June 13, 2025 and June 14, 2024, the shareholders' meeting resolved to offset accumulated losses by capital surplus in an amount of NT$7,730,494 thousand and NT$2,451,220 thousand, respectively.

C. Retained earnings and dividend policies

According to the Company's Articles of Incorporation, the Company's annual earnings, if any, shall be distributed as follows:

a. Payment of all taxes and dues;
b. Offset prior years' operation losses;
c. Set aside 10% of the remaining amount after deducting items a. and b. as legal reserve;
d. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

The policy of dividend distribution is based on the principles of stability and balance. In addition to considering shareholder profits, it also takes into account the impact of the Company's capital expenditures and operational turnover needs. Each year, the Board of Directors is responsible for drafting the distribution plan in accordance with the law and submitting it to the shareholders' meeting for approval. The distribution of common stock dividends shall not be less than 10% of the distributable earnings for the year, with cash dividends comprising no less than 10% of that amount.

According to the Company Act, a company needs to distribute the legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to fill the deficit of a company. When a company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital, by issuing new shares or by distributing cash in proportion to the number of shares held by each shareholder.

On March 10, 2026 and June 13, 2025, the board of directors and the shareholders' meeting approved and resolved not to distribute earnings, respectively.

(14) Share-based payment plan

First capital increase by cash reserved for employee share options in 2024

On December 11, 2023, the Company's Board of Directors resolved a cash offering of new shares; 10% of the new shares shall be reserved for subscription by the qualified employees in compliance with Company Act. The date of grant was based on the date of confirmation of the number of shares subscribed by the employees.

The subscription base date was March 15, 2024. The total newly issued shares for this capital increase by cash were 450,000 thousand shares and 45,000 thousand shares were reserved for the employees' subscription. The actual number of shares subscribed by the employees was 32,963 thousand shares. The abovementioned cash offering of new shares was issued at NT$18 per share and the stock issuance base date was set at March 29, 2024. The relevant information was as follows:

Agreement type	Date of grant	Subscribed shares (in thousands)	Contract period	Vested condition	Date of transfer
Reserved for employee share options	2024.3.15	32,963	-	Vested immediately	2024.3.29

The fair value of employee share options was as follow:

Agreement type	Date of grant	Exercise price	Fair value (per unit)
Reserved for employee share options	2024.3.15	$18.0	$1.84

Second capital increase by cash reserved for employee share options in 2024

On August 28, 2024, the Company's Board of Directors resolved a cash offering of new shares; 15% of the new shares shall be reserved for subscription by the qualified employees in compliance with Company Act. The date of grant was based on the date of confirmation of the number of shares subscribed by the employees.

The subscription base date was October 4, 2024. The total newly issued shares for this capital increase by cash were 470,000 thousand shares and 70,500 thousand shares were reserved for the employees' subscription. The actual number of shares subscribed by the employees was 39,181 thousand shares. The abovementioned cash offering of new shares was issued at NT$20 per share and the stock issuance base date was set at October 23, 2024. The relevant information was as follows:

Agreement type	Date of grant	Subscribed shares (in thousands)	Contract period	Vested condition	Date of transfer
Reserved for employee share options	2024.10.4	39,181	-	Vested immediately	2024.10.25

The fair value of employee share options was as follow:

Agreement type	Date of grant	Exercise price	Fair value (per unit)
Reserved for employee share options	2024.10.4	$20.0	$9.33

The compensation costs recognized amounted to NT$426,206 thousand for the year ended December 31, 2024.

(15) Operating revenue

A. Disaggregation of revenue

	For the years ended December 31,	
	2025	2024
Revenue from contracts with customers		
Aviation transportation revenue		
Passenger revenue	$35,451,719	$30,727,580
Cargo revenue	4,953,620	3,152,700
Sale of goods revenue	220,670	208,526
Other revenue	3,427,253	1,458,045
Total	$44,053,262	$35,546,851
Timing of revenue recognition:		
At a point in time	$44,053,262	$35,546,851

B. Contract balances

Contract liabilities

	As of December 31,	
	2025	2024
Tickets services	$8,547,408	$7,709,216
Other (customer loyalty programs, etc.)	566,393	218,112
Total	$9,113,801	$7,927,328
Current	$8,686,147	$7,737,370
Non-current	427,654	189,958

The movement of contract liabilities is mainly caused by the timing difference of the satisfaction of a performance of obligation and the consideration received from customers.

The significant changes in the Company's balances of contract liabilities for the years ended December 31, 2025 and 2024 were primarily driven by the recognition of revenue transferred from the opening balances and an increase in advance ticket sales resulting from revenue growth.

C. Transaction price allocated to the unsatisfied performance obligations.

As of December 31, 2025 and 2024, the amounts allocated to the customer loyalty programs were NT$520,476 thousand and NT$198,629 thousand, respectively. These amounts will be recognized as revenue upon the redemption or expiration of the mileage points and are expected to be fully redeemed within three years.

(16) Leases

A. Company as a lessee

The Company leases various properties, including real estate such as land and buildings and aircraft. The lease terms range from 1 to 20 years.

The Company's leases effect on the financial position, financial performance and cash flows were as follow:

a. Amounts recognized in the balance sheet

(a) Right-of-use assets

The carrying amount of right-of-use assets

	As of December 31,	
	2025	2024
Land	$383,142	$439,817
Buildings	1,729,233	1,963,459
Aircraft	31,459,223	31,051,583
Others	7,840	7,404
Total	$33,579,438	$33,462,263

For the years ended December 31, 2025 and 2024, the Company's additions to right-of-use assets amounted to NT$3,953,753 thousand and NT$3,868,174 thousand, respectively.

(b) Lease liabilities

	As of December 31,	
	2025	2024
Lease liabilities	$1,714,304	$1,931,847
Current	$234,163	$277,356
Non-current	1,480,141	1,654,491

Please refer to Note 6(18) C. for the interest on lease liabilities recognized for the years ended December 31, 2025 and 2024 and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities and Note 6(4) for USD-dominated leases designated as hedging instruments.

b. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended December 31,	
	2025	2024
Land	$63,344	$58,682
Buildings	298,187	243,156
Aircraft	3,386,961	3,220,064
Others	4,074	2,930
Total	$3,752,566	$3,524,832

c. Income and costs relating to leasing activities

	For the years ended December 31,	
	2025	2024
The expenses relating to short-term leases	$69,017	$105,130
The expenses relating to leases of low-value assets (not including the expenses relating to short-term leases of low-value assets)	10,704	9,732

d. Cash outflow relating to leasing activities

For the years ended December 31, 2025 and 2024, the Company's total cash outflows for leases amounted to NT$4,065,335 thousand and NT$3,716,359 thousand, respectively.

e. Other information relating to leasing activities

Extension and termination options

Some of the Company's lease agreements contain extension and termination options. In determining the lease terms, the non-cancellable period for which the Company has the right to use an underlying asset, together with both periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. These options are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Company. After the commencement date, the Company reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the Company is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

(17) Summary statement of employee benefits, depreciation and amortization expenses by function:

	For the years ended December 31,					
	2025			2024		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	$4,457,695	$2,285,164	$6,742,859	$3,514,181	$2,415,488	$5,929,669
Labor and health insurance	283,462	188,096	471,558	208,686	154,413	363,099
Pension	145,569	118,152	263,721	114,513	98,703	213,216
Director's remuneration	-	2,980	2,980	-	3,072	3,072
Other employee benefits expense	185,315	116,508	301,823	141,700	118,436	260,136
Depreciation	6,431,579	636,263	7,067,842	4,973,146	537,947	5,511,093
Amortization	-	100,067	100,067	-	151,408	151,408

The numbers of the Company's employees were 5,935 and 5,125, both including 6 non-employee directors, for the years ended December 31, 2025 and 2024, respectively.

A. For the company which stocks were listed for trading on the Taiwan Stock Exchange should disclose the following information:

a. The average cost of employee benefits were NT$1,312 thousand and NT$1,322 thousand for the current and prior year, respectively.
b. The average cost of employee salaries were NT$1,137 thousand and NT$1,158 thousand for the current and prior year, respectively.
c. The Company's average cost of employee salaries decreased by 1.81%.
d. Since the audit committee of the Company takes the place of supervisor, the supervisor's remuneration were both NT$0 for the years ended December 31, 2025 and 2024.
e. The Company's policy on payroll and remuneration: The Company's policy on payroll and remuneration was made in accordance with the local regulatory and market level, and the Management makes and follows the operation rule in compliance with the policy.

According to the Articles of Incorporation, no less than 1% of profit of the current year is distributable as employees' compensation and no higher than 1% of profit of the current year is distributable as remuneration to directors; no less than 50% of aforementioned employee's compensation should be allocated of entry-level employee. However, the company's accumulated losses shall have been covered. 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.

The Company estimated not less than 1% of profit as employees' compensation, recognized in salaries expense amounted to NT$26,500 thousand, and did not estimate remuneration to directors and supervisors for the year ended December 31, 2025. The Company did not distribute employees' compensation or remuneration to directors and supervisors for the year ended December 31, 2024, because of the accumulated losses position.

(18) Non-operating income and expense

A. Other income

	For the years ended December 31,	
	2025	2024
Interest income		
Financial assets measured at amortized cost	$239,225	$220,551
Others	10,464	8,372
Total	$249,689	$228,923

B. Other gains and losses

	For the years ended December 31,	
	2025	2024
Gains on financial assets at fair value through profit or loss	$4,398	$-
Gain on disposal of property, plant and equipment	3,192	394
Foreign exchange loss, net	(466,946)	(313,656)
Other income and expenditure	(18,906)	(14,109)
Total	$(478,262)	$(327,371)

C. Finance costs

	For the years ended December 31,	
	2025	2024
Interest on loans from bank	$851,823	$457,915
Interest on lease liabilities	499,479	507,153
Unwinding of discount on provisions	13,915	12,745
Total	$1,365,217	$977,813

(19) Components of other comprehensive income (loss)

The major components of other comprehensive income (loss) for the year ended December 31, 2025:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income (loss), before tax	Income tax benefit (expense)	Other comprehensive income (loss), net of tax
Items that may be reclassified subsequently to profit or loss:					
Gain (losses) on hedging instruments	$1,439,144	$164,856	$1,604,000	$(318,771)	$1,285,229

The major components of other comprehensive income (loss) for the year ended December 31, 2024:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income (loss), before tax	Income tax benefit (expense)	Other comprehensive income (loss), net of tax
Items that may be reclassified subsequently to profit or loss:					
Gain (losses) on hedging instruments	$(2,187,574)	$275,951	$(1,911,623)	$382,325	$(1,529,298)

(20) Income tax

The major components of income tax expense (benefit) for the years ended December 31, 2025 and 2024 were as follows:

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

Income tax recognized in profit or loss

	For the years ended December 31, 2025	2024
Current income tax expense (benefit)：		
Current income tax expense (benefit)	$-	$-
Deferred income tax expense (benefit)：		
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	(212,267)	(68,057)
Tax expense (benefit) recognized in the period for previously unrecognized tax loss, tax credit or temporary difference of prior periods	(16,870)	37,120
Income tax benefit	$(229,137)	$(30,937)

Income tax recognized in other comprehensive income

	For the years ended December 31, 2025	2024
Deferred income tax expense (benefit)：		
Income tax related to components of other comprehensive income that may be reclassified to profit or loss		
Gains (losses) on hedging instruments	$318,771	$(382,325)

A reconciliation between income tax expense (benefit) and income before tax at the Company's applicable tax rate were as follows:

	For the years ended December 31, 2025	2024
Accounting gain before tax from continuing operations	$43,471	$1,293,501
Tax at the domestic rates applicable to profits in the country concerned	$8,694	$258,700
Tax effect of non-deductible expenses	157	231
Tax effect of deferred tax assets / liabilities	(237,988)	(289,868)
Total income tax benefit recognized in profit or loss	$(229,137)	$(30,937)

Balance of deferred tax assets (liabilities) related to the following items:

For the year ended December 31, 2025

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Unrealised exchange gain and loss	$(12,141)	$63,515	$-	$51,374
Decommissioning provision	176,236	7,250	-	183,486
Decommissioning cost	(130,431)	9,513	-	(120,918)
Gains (losses) on hedging instruments	573,397	-	(318,771)	254,626
Tax losses carryforward	1,543,729	82,755	-	1,626,484
Contract liabilities	37,991	66,104	-	104,095
Deferred income tax (expense) benefit		$229,137	$(318,771)	
Deferred tax assets (liabilities), net	$2,188,781			$2,099,147
The information expressed in the balance sheet was as follows:				
Deferred tax assets	$2,331,353			$2,220,065
Deferred tax liabilities	$(142,572)			$(120,918)

For the year ended December 31, 2024

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Unrealised exchange gain and loss	$(80,198)	$68,057	$-	$(12,141)
Decommissioning provision	157,826	18,410	-	176,236
Decommissioning cost	(127,538)	(2,893)	-	(130,431)
Gains (losses) on hedging instruments	191,072	-	382,325	573,397
Tax losses carryforward	1,634,357	(90,628)	-	1,543,729
Contract liabilities	-	37,991	-	37,991
Deferred income tax (expense) benefit		$30,937	$382,325	
Deferred tax assets (liabilities), net	$1,775,519			$2,188,781
The information expressed in the balance sheet was as follows:				
Deferred tax assets	$1,983,255			$2,331,353
Deferred tax liabilities	$(207,736)			$(142,572)

The following table contains information of the unused tax losses of the Company:

		Unused tax losses as of		
Year	Tax losses for the period	December 31, 2025	December 31, 2024	Expiration year
2020	$2,596,708	$1,507,158	$2,270,978	2030
2021	3,018,617	3,018,617	3,018,617	2031
2022	5,368,991	5,368,991	5,368,991	2032
2023	1,333,046	1,333,046	1,333,046	2033
Total		$11,227,812	$11,991,632	

Unrecognized deferred tax assets

As of December 31, 2025 and 2024, deferred tax assets that had not been recognized amounted to NT$619,078 thousand and NT$855,435 thousand, respectively.

The assessment of income tax returns

As of December 31, 2025, the Company had received the assessment of the 2023 income tax returns from the tax authority.

(21) Earnings per share

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

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the years ended December 31,	
	2025	2024
A. Basic earnings per share		
Net income attributable to ordinary equity holders of the Company (in thousand NT$)	$272,608	$1,324,438
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	3,008,735	2,520,429
Diluted earnings per share (NT$)	$0.09	$0.53

	For the years ended December 31,	
	2025	2024
B. Diluted earnings per share		
Net income attributable to ordinary equity holders of the Company (in thousand NT$)	$272,608	$1,324,438
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	3,008,735	2,520,429
Effect on dilution:		
Employee compensation-stock (in thousands)	1,123	-
Weighted average number of ordinary shares outstanding after dilution (in thousands)	3,009,858	2,520,429
Basic earnings per share (NT$)	$0.09	$0.53

C. There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

7. Related Party Transactions

Name and nature of relationship of the related parties

Related Party Name	The Relationship with the Company
Chang Kuo-Wei	Chairman
Starlux Investments Limited	Juristic person director
Starway Developing Investments Limited	Juristic person director
Starlux Catering Co., Ltd.	Other related parties
Himage International Corp.	Other related parties
Uni Airways Corporation	Other related parties
G-Yen Hutong Co., Ltd.	Other related parties

Significant transactions with related parties

(1) Operating revenue

	For the years ended December 31,	
	2025	2024
Other related parties	$-	$476

The sales price to the other related parties was determined through mutual agreement in reference to market conditions. The collection periods were month-end for 30 to 90 days, same as third parties customers.

(2) Operating costs

	For the years ended December 31,	
	2025	2024
Other related parties	$233	$497

(3) Operating expenses

	For the years ended December 31,	
	2025	2024
Other related parties	$1,089	$913

(4) Non-operating income

	For the years ended December 31,	
	2025	2024
Juristic person director	$320	$206
Other related parties	450	-
Total	$770	$206

(5) Other receivables-related parties

	As of December 31,	
	2025	2024
Starlux Catering Co., Ltd.	$473	$-

(6) Other current assets

	As of December 31,	
	2025	2024
Other related parties	$14,197	$-

Primarily relates to agency transactions involving the collection and disbursement of funds on behalf of related parties.

(7) Accounts payable-related parties

	As of December 31,	
	2025	2024
Himage International Corp.	$483	$417

(8) The Company sold property, plant and equipment to other related parties with total amount of NT$113 thousand for the year ended December 31, 2024, resulting in gains from disposal at the amount of NT$18 thousand.

(9) Key management personnel compensation

	For the years ended December 31,	
	2025	2024
Short-term employee benefits	$56,019	$49,313
Post-employment benefits	1,634	1,449
Share-based payment	-	18,255
Total	$57,653	$69,017

(10) The chairman is the joint guarantor of the Company's loans from banks.

8. Assets Pledged as Security

The following table lists assets of the Company pledged as security:

	Carrying amount as of December 31,		
Assets pledged for security	2025	2024	Secured liabilities
Financial assets measured at amortized cost	$1,408,766	$1,680,285	Long-term loans and guarantee
Property, plant and equipment –aircraft and machinery and other equipment	45,835,607	37,559,813	Long-term loans
Prepayment for equipment-aircraft	964,739	-	Long-term loans
Total	$48,209,112	$39,240,098	

9. Commitments and Contingencies

(1) As of December 31, 2025, the Company entered into lease contracts to rent twenty-eight planes with aircraft lease companies, twenty of which had been delivered to the Company. The remaining eight planes will be successively delivered to the Company starting from 2026 and the related rent expenses will be paid by the Company once delivered.

(2) The Company entered into airplane purchase contracts of seventeen A350 planes with Airbus in March 2019, and purchased three A330-900 passenger aircraft, ten A350-1000 passenger aircraft, and ten A350F cargo aircraft from Airbus in February 2024, December 2024 and June 2025, collectively. The total consideration of list prices was US$15,857,050 thousand. As of December 31, 2025, nine planes had been delivered to the Company, and the remaining thirty-one planes will be successively delivered to the Company starting from 2026. The Company has partially prepaid the price of NT$13,746,551 thousand.

(3) The Company purchased three Trent 7000, two Trent XWB-84, and seven Trent XWB-97 spare engines from Rolls-Royce PLC in March 2019, February 2024, December 2024 and June 2025, collectively. The total consideration of prices was no more than US$444,992 thousand. As of December 31, 2025, five spare engines had been delivered to the Company, and the remaining seven spare engines will be successively delivered to the Company starting from 2026. The Company has partially prepaid the price of NT$947,237 thousand.

(4) As of December 31, 2025, the Company obtained guarantees of SG$2,237 thousand, US$27,699 thousand, JPY217,640 thousand, HK$5,700 thousand and NT$601,000 thousand from financial institutions for issuing stand-by letter of credit and guarantees.

(5) The Company contracted for Taoyuan Aerotropolis Priority Industrial Zone Land Tendering Project with Taoyuan City Government and Civil Aeronautics Administration, MOTC on September 19, 2022. The total contract price is NT$8,957,230 thousand. As of December 31, 2025, the Company had paid NT$2,687,169 thousand with NT$6,270,061 thousand remained.

10. Losses due to Major Disasters

None.

11. Significant Subsequent Events

(1) On January 5, 2026, the Company obtained the 10th A350 self-owned aircraft with an increase in long-term loans from 13 banks including Bank of Taiwan and Land Bank of Taiwan Co., Ltd. of NT$4 billion.

(2) On March 10, 2026, the Company's Board of Directors resolved to lease eight A321 neo passenger aircrafts from aircraft lease companies, each at US$ 81,250 thousand.

12. Others

(1) Categories of financial instruments

Financial assets

	As of December 31,	
	2025	2024
Financial assets at fair value through profit or loss:		
Mandatorily measured at fair value through profit or loss	$1,004,398	$-
Financial assets measured at amortized cost		
Cash and cash equivalents (cash on hand excluded)	15,310,269	16,011,337
Financial assets measured at amortized cost	1,419,182	1,680,702
Notes receivable	103,628	79,773
Accounts receivable	1,536,695	1,128,412
Other receivables	120,393	69,077
Other receivables-related parties	473	-
Refundable deposits	1,289,847	1,230,647
Subtotal	20,784,885	20,199,948
Financial assets for hedging	6,123	-
Total	$20,791,008	$20,199,948

Financial liabilities

	As of December 31,	
	2025	2024
Financial liabilities at amortized cost:		
Accounts payable	$3,469,105	$2,759,926
Accounts payable- related parties	483	417
Other payables	1,057,588	1,076,108
Long-term loans (current portion with maturity less than 1 year included)	49,452,862	38,849,764
Bonds payable	4,992,822	-
Lease liabilities	1,714,304	1,931,847
Guarantee deposits	64,447	50,444
Subtotal	60,751,611	44,668,506
Financial liability for hedging	33,537,570	34,571,682
Total	$94,289,181	$79,240,188

(2) Financial risk management objectives and policies

The Company's principal financial 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 the Company's policy and risk appetite.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors 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 of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risk includes currency risk and interest rate risk.

In practice, it is rarely the case that a single risk variable will change independently from other risk variable. In other words, there is usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

<u>Foreign currency risk</u>

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 are denominated in a different currency from the Company's functional currency).

The Company's hedging strategy is to use the foreign currency component of lease liabilities and forward fuel contracts to hedge foreign currency risk caused by exchange rate fluctuations on foreign-currency assets, liabilities, and commitments. The finance department also keeps connection with the foreign currency department of banks to collect market information for securing currency risk.

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 related to the volatility in the exchange rates for USD. The information of the sensitivity analyses is as follows:

When NTD strengthens/weakens against USD by 1%, the profit for the years ended December 31, 2025 and 2024 would be increased/decreased by NT$9,546 thousand and NT$17,211 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of 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 debt instrument investment with floating interest rates and bank borrowings with variable interest rates.

The interest rate sensitivity analysis is performed on items assumed to be possessed for a fiscal year and exposed to interest rate risk as of the end of the reporting period, including investments with floating interest rates and bank borrowings with variable interest rates. The analysis indicates that when the interest rates increase/decrease by ten basis points, the Company's profit would be decreased/increased by NT$54,453 thousand and NT$38,850 thousand for the years ended December 31, 2025 and 2024, 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 notes receivable and accounts receivable) and from its financing activities, including bank deposits and other financial instruments.

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

Since the Company's customers are dispersed and non-related, the credit risk of account receivable highly concentrated does not exist.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company's treasury in accordance with the Company's policy. The Company 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 counterparties.

Expect for the loss allowance of receivables measured at lifetime expected credit losses, the Company assess the remaining debt instrument investments which are not measured at fair value through profit or loss, low credit risk for these investments is a prerequisite upon acquisition and by using their credit risk as a basis for the distinction of categories. The Company makes an assessment at each reporting date as to whether the debt instrument investments are still considered low credit risk, and then further determines the method of measuring the loss allowance and the loss rates.

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).

(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, bank borrowings, and leases. 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 variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
2025.12.31					
Loans	$2,714,847	$14,285,838	$8,378,554	$30,967,315	$56,346,554
Accounts payable (related parties included)	3,469,588	-	-	-	3,469,588
Other payables	1,057,588	-	-	-	1,057,588
Bonds Payable	87,250	2,674,500	2,589,000	-	5,350,750
Lease liabilities (Note)					
Hedging instruments	4,209,391	8,418,783	8,418,783	14,899,411	35,946,368

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
2024.12.31					
Loans	$2,744,693	$9,592,709	$6,784,543	$25,608,593	$44,730,538
Accounts payable (related parties included)	2,760,343	-	-	-	2,760,343
Other payables	1,076,108	-	-	-	1,076,108
Lease liabilities (Note)					
Hedging instruments	4,006,253	8,047,135	8,047,135	17,024,841	37,125,364

Note:

1. Information about the maturities of lease liabilities is provided in the table below:

	Maturities					
	Less than 1 year	1 to 5 years	6 to 10 years	10 to 15 years	>15 years	Total
2025.12.31	$267,084	$819,046	$359,444	$507,145	$-	$1,952,719
2024.12.31	$317,129	$919,636	$392,415	$576,797	$-	$2,205,977

2. Including cash flows resulted from short-term leases or leases of low-value assets.

(6) Reconciliation for liabilities arising from financing activities

Information of reconciliation for liabilities for the year ended December 31, 2025 was as follows:

	Bonds payable	Long-term loans	Lease liabilities and financial liabilities for hedging	Guarantee deposits	Total liabilities from financing activities
2025.1.1	$-	$38,849,764	$36,503,529	$50,444	$75,403,737
Cash flows	4,992,822	10,603,098	(3,486,135)	14,003	12,123,788
Non-cash changes	-	-	3,840,214	-	3,840,214
Effect of exchange rate changes	-	-	(1,605,734)	-	(1,605,734)
2025.12.31	$4,992,822	$49,452,862	$35,251,874	$64,447	$89,762,005

Information of reconciliation for liabilities for the year ended December 31, 2024 was as follows:

	Short-term loans	Short-term notes payable	Long-term loans	Lease liabilities and financial liabilities for hedging	Guarantee deposits	Total liabilities from financing activities
2024.1.1	$850,000	$300,000	$23,285,520	$33,892,692	$20,772	$58,348,984
Cash flows	(850,000)	(300,000)	15,564,244	(3,601,497)	29,672	10,842,419
Non-cash changes	-	-	-	4,295,142	-	4,295,142
Effect of exchange rate changes	-	-	-	1,917,192	-	1,917,192
2024.12.31	$-	$-	$38,849,764	$36,503,529	$50,444	$75,403,737

(7) Fair values of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

The carrying amounts of cash and cash equivalents, receivables, payables and other current liabilities approximate their fair values due to their short maturities.

B. Fair value of financial instruments measured at amortized cost

The carrying amounts of the Company's financial assets and liabilities measured at amortized cost approximate their fair values.

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Company.

(8) Derivative instruments

As of the reporting date, the company held outstanding derivative instruments. For details related to hedging, please refer to Note 6.

Forward fuel contract

Forward fuel contracts are used to manage the exposure of certain transactions. The contract details are as follows:

Item	Contract trading volume	Period
2025.12.31		
Forward currency contracts	USD 78,000 thousand	2025.12.31~2026.1.5
2024.12.31		
None.		

(9) Fair value measurement hierarchy

A. Fair value measurement hierarchy

All asset and liabilities for which fair value is 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.

B. Fair value measurement hierarchy of the Company's assets and liabilities not measured at fair value but for which the fair value was disclosed

2025.12.31

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Financial assets at fair value through profit or loss				
Funds	$1,004,398	$-	$-	$1,004,398
Financial assets for hedging				
Forward currency contracts	$-	$6,123	$-	$6,123

2024.12.31

None.

(10) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	As of December 31, 2025		
	Foreign currencies (thousand)	Foreign exchange rate	NTD (thousand)
Financial assets			
Monetary items:			
USD	$112,139	31.430	$3,524,528
Financial liabilities			
Monetary items:			
USD	$1,148,769	31.430	$36,105,823

	As of December 31, 2024		
	Foreign currencies (thousand)	Foreign exchange rate	NTD (thousand)
Financial assets			
Monetary items:			
USD	$117,513	32.785	$3,909,320
Financial liabilities			
Monetary items:			
USD	$1,119,512	32.785	$36,703,071

The above information is disclosed based on book value of foreign currency (after conversion to functional currency).

Due to the wide variety of foreign currency transactions, the Company was unable to disclose foreign exchange gains and losses by each currency with significant impact. Please refer to Note 6(18)B. for foreign exchange gains (losses) for the years ended December 31, 2025 and 2024.

(11) 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.

13. Additional Disclosure

(1) The following are additional disclosures for the Company as required by the R.O.C. Securities and Futures Bureau:

A. Financing provided to other：None.

B. Endorsement/Guarantee provided to others：None.

C. Significant securities held: Please refer to Attachment 1.

D. Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million and 20 percent of the capital stock: None.

E. Receivables from related parties with amounts exceeding the lower of NT$100 million and 20 percent of capital stock: None.

(2) Information on investees

A. Names, locations and other related information of investees on which the company directly or indirectly exercises significant influence or control：None.

B. Related information regarding A~E of investees on which the company directly or indirectly exercises significant control：None.

(3) Investments in mainland China

None.

14. Segment information

The Company determined its operating segments based on business activities with discrete financial information regularly reported through the Company's internal reporting protocols to the Company's chief operating decision maker. The Company's chief operating decision makers regard the Company as a whole as a single operating department, and use the Company's overall information for resource allocation and performance evaluation, so its reportable department is a single operating department.

(1) Geographical information

	Revenue from external customer	
	For the years ended December 31,	
	2025	2024
Taiwan	$28,906,450	$25,209,870
Asia	6,127,886	4,603,208
North America	8,995,895	5,725,555
Others	23,031	8,218
	$44,053,262	$35,546,851

Attachment 1 : Significant securities held as of December 31, 2025 (not including subsidiaries, associates and joint ventures)

In Thousands of New Taiwan Dollars/ Units

Company	Type and Name of Securities	Relationship	Financial statement account	Dec 31, 2025				Note
				Units	Carrying amount	Percentage of ownership (%)	Fair value	
Starlux Airlines Co., Ltd.	Mega Diamond Money Market Fund	None	Financial assets at fair value through profit or loss, current	22,690,315	$301,266	-	$301,266	
Starlux Airlines Co., Ltd.	Fubon Money Market Fund	None	Financial assets at fair value through profit or loss, current	19,186,984	301,402	-	301,402	
Starlux Airlines Co., Ltd.	Cathay Taiwan Money Market Fund	None	Financial assets at fair value through profit or loss, current	7,648,769	100,414	-	100,414	
Starlux Airlines Co., Ltd.	Taishin Ta-Chong Money Market Fund	None	Financial assets at fair value through profit or loss, current	13,353,363	200,911	-	200,911	
Starlux Airlines Co., Ltd.	TCB Taiwan Money Market Fund	None	Financial assets at fair value through profit or loss, current	9,374,531	100,405	-	100,405	

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STARLUX AIRLINES CO., LTD.

1.Statement of cash and cash equivalents

As of December 31, 2025

(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Cash on hand (Note)			
	Cash on hand	$1,070	
	Cash on hand in foreign currency (Note)	28,477	
Cash in banks			
	Checking and saving accounts	1,952,802	
	Saving accounts in foreign currency (Note)	3,381,412	
	Time deposits	9,837,988	
	Time deposits in foreign currency (Note)	138,067	
Total		$15,339,816	

Note: The exchange rates of foreign currency are as follows:

Currency	Exchange rate
CAD	$22.9400
CNY	4.4960
EUR	36.9000
HKD	4.0380
JPY	0.2008
MOP	3.9122
MYR	7.7279
PHP	0.5321
SGD	24.4500
THB	1.0019
USD	31.4300
VND	0.0012

STARLUX AIRLINES CO., LTD.
2.Statement of changes in financial assets at fair value through profit or loss
As of December 31, 2025
(Expressed in Thousands of New Taiwan Dollars)

Name of financial instruments	As of January 1, 2025		Additions		Decrease		Adjustments	As of December 31, 2025		Collateral	Note
	Units	Amount	Units	Amount	Units	Amount		Units	Amount		
Mega Diamond Money Market Fund	-	$-	22,690,315	$300,000	-	$-	$1,266	22,690,315	$301,266	None	
Fubon Money Market Fund	-	-	19,186,984	300,000	-	-	1,402	19,186,984	301,402	None	
Cathay Taiwan Money Market Fund	-	-	7,648,769	100,000	-	-	414	7,648,769	100,414	None	
Taishin Ta-Chong Money Market Fund	-	-	13,353,363	200,000	-	-	911	13,353,363	200,911	None	
TCB Taiwan Money Market Fund	-	-	9,374,531	100,000	-	-	405	9,374,531	100,405	None	

STARLUX AIRLINES CO., LTD.

3.Statement of inventories

As of December 31, 2025

(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Aircraft spare parts		$1,604,702	Most of the Company's inventories are for internal use, and aircraft components are controlled items with a wide variety of categories; therefore, the quoted market prices are not readily available.
Merchandise for in-flight sales and services		862,983	
Maintenace and repair facilities		193,388	
Others	The amount of individual item in others did not exceed 5% of the account balance	23,289	
Total		$2,684,362	

STARLUX AIRLINES CO., LTD.

4.Statement of changes in right-of-use assets and accumulated depreciation

As of December 31, 2025

(Expressed in Thousands of New Taiwan Dollars)

Item	Beginning balance	Additions	Disposals	Ending balance	Note
Cost					
Land	$708,241	$6,669	$-	$714,910	
Buildings	2,796,833	147,973	(393,971)	2,550,835	
Aircraft	40,388,954	3,794,601	-	44,183,555	
Others	11,225	4,510	-	15,735	
Total	$43,905,253	$3,953,753	$(393,971)	$47,465,035	
Accumulated depreciation					
Land	$(268,424)	$(63,344)	$-	$(331,768)	
Buildings	(833,374)	(298,187)	309,959	(821,602)	
Aircraft	(9,337,371)	(3,386,961)	-	(12,724,332)	
Others	(3,821)	(4,074)	-	(7,895)	
	$(10,442,990)	$(3,752,566)	$309,959	$(13,885,597)	
Net carrying amount	$33,462,263	$201,187	$(84,012)	$33,579,438	

STARLUX AIRLINES CO., LTD.

5.Statement of accounts payable

As of December 31, 2025

(Expressed in Thousands of New Taiwan Dollars)

Vendor name	Description	Amount	Note
Others	The amount of individual item in others did not exceed 5% of the account balance	$3,469,105	
Total		$3,469,105	

STARLUX AIRLINES CO., LTD.
6.Statement of long-term loans
As of December 31, 2025
(Expressed in Thousands of New Taiwan Dollars)

Item	Amount	Interest rates applied	Terms of repayment
Unsecured loans		1.820%~2.542%	
Cathay United Bank	$500,000		Repayment at due date with interest paid monthly.
Taiwan Business Bank Co., Ltd.	200,000		Repayment at due date with interest paid monthly.
Land Bank of Taiwan Co., Ltd.	300,000		Repayment at due date with interest paid monthly.
Land Bank of Taiwan Co., Ltd.	716,570		Repayment at due date with interest paid monthly.
Land Bank of Taiwan Co., Ltd.	358,280		Repayment at due date with interest paid monthly.
Land Bank of Taiwan Co., Ltd.	1,074,850		Repayment at due date with interest paid monthly.
Land Bank of Taiwan Co., Ltd.	592,500		Installment repayment with the remaining paid at due and interest paid monthly.
Yuanta Commercial Bank Co., Ltd.	259,000		Repayment at due date with interest paid monthly.
Far Eastern International Bank Co., Ltd.	1,000,000		Installment repayment with the remaining paid at due and interest paid monthly.
Union Bank of Taiwan Co., Ltd.	99,500		Installment repayment with the remaining paid at due and interest paid monthly.
Union Bank of Taiwan Co., Ltd.	99,500		Installment repayment with the remaining paid at due and interest paid monthly.
First Commercial Bank Co., Ltd.	850,000		Installment repayment with the remaining paid at due and interest paid monthly.
First Commercial Bank Co., Ltd.	384,000		Repayment at due date with interest paid monthly.
E.Sun Commercial Bank, Ltd.	200,000		Installment repayment with the remaining paid at due and interest paid monthly.
Taiwan Cooperative Bank	800,000		Installment repayment with the remaining paid at due and interest paid monthly.
Taiwan Cooperative Bank	400,000		Installment repayment with the remaining paid at due and interest paid monthly.
Taiwan Cooperative Bank	492,000		Repayment at due date with interest paid monthly.
Subtotal	8,326,200		
Secured loans		2.130%~2.468%	
Yuanta Commercial Bank Co., Ltd.	82,800		Installment repayment with the remaining paid at due and interest paid monthly.
Yuanta Commercial Bank Co., Ltd.	253,150		Installment repayment with the remaining paid at due and interest paid monthly.
Yuanta Commercial Bank Co., Ltd.	405,840		Installment repayment with the remaining paid at due and interest paid monthly.
Yuanta Commercial Bank Co., Ltd.	734,250		Installment repayment with the remaining paid at due and interest paid monthly.
Yuanta Commercial Bank Co., Ltd.	1,055,000		Installment repayment with the remaining paid at due and interest paid monthly.
Bank of Taiwan	4,008,000		Installment repayment with the remaining paid at due and interest paid monthly.
Bank of Taiwan	669,000		Installment repayment with the remaining paid at due and interest paid monthly.
Bank of Taiwan	669,000		Installment repayment with the remaining paid at due and interest paid monthly.
Land Bank of Taiwan Co., Ltd.	4,030,000		Installment repayment with the remaining paid at due and interest paid monthly.
Land Bank of Taiwan Co., Ltd.	4,119,000		Installment repayment with the remaining paid at due and interest paid monthly.
Land Bank of Taiwan Co., Ltd.	76,900		Installment repayment with the remaining paid at due and interest paid monthly.
Land Bank of Taiwan Co., Ltd.	622,000		Installment repayment with the remaining paid at due and interest paid monthly.
Land Bank of Taiwan Co., Ltd.	76,900		Installment repayment with the remaining paid at due and interest paid monthly.
Land Bank of Taiwan Co., Ltd.	553,000		Installment repayment with the remaining paid at due and interest paid monthly.
Union Bank of Taiwan Co., Ltd.	693,200		Installment repayment with the remaining paid at due and interest paid monthly.
Union Bank of Taiwan Co., Ltd.	117,600		Installment repayment with the remaining paid at due and interest paid monthly.
Taiwan Cooperative Bank	3,629,000		Installment repayment with the remaining paid at due and interest paid monthly.
Taiwan Cooperative Bank	3,598,752		Installment repayment with the remaining paid at due and interest paid monthly.
Taiwan Business Bank Co., Ltd.	3,935,000		Installment repayment with the remaining paid at due and interest paid monthly.
Shin Kong Commercial Bank Co., Ltd.	82,000		Installment repayment with the remaining paid at due and interest paid monthly.
Chang Hwa Commercial Bank, Ltd.	3,923,270		Installment repayment with the remaining paid at due and interest paid monthly.
Chang Hwa Commercial Bank, Ltd.	3,847,000		Installment repayment with the remaining paid at due and interest paid monthly.
Mega International Commercial Bankc Co., Ltd.	3,946,000		Installment repayment with the remaining paid at due and interest paid monthly.
Subtotal	41,126,662		
Less: current portion	(1,586,798)		
Total	$47,866,064		

STARLUX AIRLINES CO., LTD.

7.Statement of lease liabilities

As of December 31, 2025

(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Lease term	Discount rates applied	Ending balance	Note
Land	Airport	7~14 Years	1.44%~1.50%	$407,791	
Buildings	Office	1~15 Years	1.45%~2.63%	1,299,387	
Others	Equipment	1~5 Years	1.82%~1.98%	7,126	
Subtotal				1,714,304	
Less: current portion				(234,163)	
Lease liabilities, non-current				$1,480,141	

STARLUX AIRLINES CO., LTD.

8.Statement of operating costs

For the Year Ended December 31, 2025

(Expressed in Thousands of New Taiwan Dollars)

Item	Amount	
	Subtotal	Total
Aviation transportation costs		$18,431,734
Traveler service costs		7,168,703
Airport and transportation operating costs		5,700,670
Maintenance costs		5,629,796
Others		415,308
Total		$37,346,211

STARLUX AIRLINES CO., LTD.

9.Statement of general and administrative expenses

For the Year Ended December 31, 2025

(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Salary		$2,285,164	
Depreciation and amortization		636,263	
Advertising expenses		356,417	
Insurance expenses		272,309	
Others	The amount of individual item in others did not exceed 5% of the account balance	1,518,866	
Total		$5,069,019	