

STARLUX AIRLINES CO., LTD.
INDIVIDUAL FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT AUDITORS
FOR THE SIX-MONTH PERIODS ENDED
JUNE 30, 2025 AND 2024

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

The reader is advised that these individual financial statements have been prepared originally in Chinese. In the event of a conflict between these individual financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

STARLUX AIRLINES CO., LTD.

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Review Report of Independent Auditors

To Starlux Airlines Co., Ltd.

Introduction

We have reviewed the accompanying individual balance sheets of Starlux Airlines Co., Ltd. (the “Company”) as of June 30, 2025 and 2024, the related individual statements of comprehensive income for the three-month and six-month periods ended June 30, 2025 and 2024 and individual statements of changes in equity and cash flows for the six-month periods ended June 30, 2025 and 2024, and notes to the individual financial statements, including the summary of material accounting policies (together “the individual financial statements”). Management is responsible for the preparation and fair presentation of these individual financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on these individual financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Standard on Review Engagements 2410, “Review of Financial Information Performed by the Independent Auditor of the Entity” of the Republic of China. A review of individual financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying individual financial statements do not present fairly, in all material respects, the individual financial position of the Company as of June 30, 2025 and 2024, their individual financial performance for the three-month and six-month periods ended June 30, 2025 and 2024, and their individual cash flows for the six-month periods ended June 30, 2025 and 2024, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

/s/Yu, Chien-Ju

/s/Huang, Tzu-Ping

Ernst & Young, Taiwan

August 11, 2025

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 review 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

June 30, 2025, December 31, 2024 and June 30, 2024

(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	June 30, 2025		December 31, 2024		June 30, 2024	
		Amount	%	Amount	%	Amount	%
Current assets							
Cash and cash equivalents	4 and 6	\$11,683,150	9	\$16,041,913	13	\$7,970,152	9
Financial assets measured at amortized cost, current	4, 6 and 8	184,385	-	613,712	1	1,002,385	1
Financial assets for hedging, current	4 and 6	17,784	-	-	-	-	-
Notes receivable, net	4 and 6	110,619	-	79,773	-	144,099	-
Accounts receivable, net	4 and 6	1,262,907	1	1,128,412	1	1,043,465	1
Other receivables	4	24,882	-	69,077	-	50,835	-
Current tax assets	4	42,099	-	24,973	-	13,964	-
Inventories	4 and 6	1,839,253	2	1,613,621	1	1,309,472	2
Other current assets		1,144,740	1	1,030,645	1	833,681	1
Total current assets		<u>16,309,819</u>	<u>13</u>	<u>20,602,126</u>	<u>17</u>	<u>12,368,053</u>	<u>14</u>
Non-current assets							
Financial assets measured at amortized cost, non-current	4, 6 and 8	1,170,389	1	1,066,990	1	1,086,765	1
Property, plant and equipment	4, 6 and 8	56,485,431	45	45,993,511	39	29,316,430	32
Right-of-use assets	4 and 6	31,623,415	25	33,462,263	28	31,511,978	34
Intangible assets	4	180,568	-	177,434	-	197,897	-
Deferred tax assets	4, 5 and 6	1,807,133	2	2,331,353	2	2,246,783	3
Prepayment for equipment	6	16,749,498	13	14,200,477	12	13,456,297	15
Refundable deposits		1,226,664	1	1,230,647	1	1,162,350	1
Total non-current assets		<u>109,243,098</u>	<u>87</u>	<u>98,462,675</u>	<u>83</u>	<u>78,978,500</u>	<u>86</u>
Total assets		<u>\$125,552,917</u>	<u>100</u>	<u>\$119,064,801</u>	<u>100</u>	<u>\$91,346,553</u>	<u>100</u>

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

June 30, 2025, December 31, 2024 and June 30, 2024

(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	June 30, 2025		December 31, 2024		June 30, 2024	
		Amount	%	Amount	%	Amount	%
Current liabilities							
Short-term loans	4 and 6	\$-	-	\$-	-	\$830,000	1
Financial liabilities for hedging, current	4 and 6	3,164,077	3	3,505,333	3	3,141,370	3
Contract liabilities, current	4 and 6	7,497,986	6	7,737,370	7	7,018,836	8
Accounts payable		3,134,697	2	2,759,926	2	2,465,268	3
Accounts payable-related parties	7	313	-	417	-	235	-
Other payables		819,465	1	1,076,108	1	541,173	-
Lease liabilities, current	4 and 6	268,494	-	277,356	-	207,862	-
Current portion of long-term loans	4, 6 and 8	1,246,036	1	1,853,339	2	2,387,569	3
Other current liabilities		1,096,454	1	969,849	1	930,038	1
Total current liabilities		<u>17,227,522</u>	<u>14</u>	<u>18,179,698</u>	<u>16</u>	<u>17,522,351</u>	<u>19</u>
Non-current liabilities							
Financial liabilities for hedging, non-current	4 and 6	26,170,400	21	31,066,349	26	29,389,228	32
Contract liabilities, non-current	4 and 6	298,025	-	189,958	-	74,451	-
Long-term loans	4, 6 and 8	45,558,173	36	36,996,425	31	23,102,659	25
Provisions, non-current	4, 5 and 6	880,654	1	946,413	1	852,604	1
Deferred tax liabilities	4, 5 and 6	123,033	-	142,572	-	132,820	-
Lease liabilities, non-current	4 and 6	1,537,473	1	1,654,491	1	1,460,116	2
Guarantee deposits		60,669	-	50,444	-	36,913	-
Total non-current liabilities		<u>74,628,427</u>	<u>59</u>	<u>71,046,652</u>	<u>59</u>	<u>55,048,791</u>	<u>60</u>
Total liabilities		<u>91,855,949</u>	<u>73</u>	<u>89,226,350</u>	<u>75</u>	<u>72,571,142</u>	<u>79</u>
Equity	6						
Capital							
Common stock		30,087,350	24	30,087,350	25	25,387,350	28
Capital surplus		2,044,685	2	9,775,179	8	3,660,652	4
Retained earnings							
Unappropriated earnings (Accumulated losses)		923,243	1	(7,730,494)	(6)	(8,154,527)	(9)
Other equity		641,690	-	(2,293,584)	(2)	(2,118,064)	(2)
Total equity		<u>33,696,968</u>	<u>27</u>	<u>29,838,451</u>	<u>25</u>	<u>18,775,411</u>	<u>21</u>
Total liabilities and equity		<u>\$125,552,917</u>	<u>100</u>	<u>\$119,064,801</u>	<u>100</u>	<u>\$91,346,553</u>	<u>100</u>

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 three-month and six-month periods ended June 30, 2025 and 2024

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

Items	Notes	For the three-month periods ended June 30,				For the six-month periods ended June 30,			
		2025		2024		2025		2024	
		Amount	%	Amount	%	Amount	%	Amount	%
Net operating revenue	4, 6 and 7	\$10,769,556	100	\$8,337,428	100	\$21,964,395	100	\$16,332,628	100
Operating costs	6	(9,179,271)	(85)	(6,768,787)	(81)	(17,955,651)	(82)	(12,915,844)	(79)
Gross profit		1,590,285	15	1,568,641	19	4,008,744	18	3,416,784	21
Operating expenses	4, 6 and 7								
General and administrative expenses		(1,253,244)	(12)	(1,026,915)	(12)	(2,484,587)	(11)	(2,040,117)	(12)
Expected credit impairment losses		(174)	-	(166)	-	(335)	-	(305)	-
Subtotal		(1,253,418)	(12)	(1,027,081)	(12)	(2,484,922)	(11)	(2,040,422)	(12)
Operating income		336,867	3	541,560	7	1,523,822	7	1,376,362	9
Non-operating income and loss	4, 6 and 7								
Other income		62,096	1	54,767	1	138,852	1	85,369	1
Other gains and losses		(216,931)	(2)	(90,182)	(1)	(309,049)	(1)	(111,837)	(1)
Finance costs		(351,817)	(3)	(228,594)	(3)	(659,519)	(3)	(449,489)	(3)
Subtotal		(506,652)	(4)	(264,009)	(3)	(829,716)	(3)	(475,957)	(3)
(Loss) income before income tax		(169,785)	(1)	277,551	4	694,106	4	900,405	6
Income tax benefit	4, 5 and 6	178,145	2	-	-	229,137	1	-	-
Net income		8,360	1	277,551	4	923,243	5	900,405	6
Other comprehensive income	4 and 6								
Items that may be reclassified subsequently to profit or loss									
Losses on hedging instruments		4,019,778	37	(392,632)	(5)	3,669,092	17	(1,692,222)	(11)
Income tax related to items that may be reclassified subsequently		(803,955)	(7)	78,526	1	(733,818)	(3)	338,444	2
Total other comprehensive income (loss), net of tax		3,215,823	30	(314,106)	(4)	2,935,274	14	(1,353,778)	(9)
Total comprehensive income (loss)		\$3,224,183	31	\$(36,555)	-	\$3,858,517	19	\$(453,373)	(3)
Earnings per share (NTD)	4 and 6								
Basic earnings per share		\$-		\$0.11		\$0.31		\$0.39	
Diluted earnings per share		\$-		\$0.11		\$0.31		\$0.39	

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 six-month periods ended June 30, 2025 and 2024

(Expressed in Thousands of New Taiwan Dollars)

Items	Capital	Capital surplus	Retained earnings	Other equity	Total equity
	Common stock		Unappropriated earnings (Accumulated losses)	Gains and losses on hedging instruments	
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 six-month period ended June 30, 2024	-	-	900,405	-	900,405
Other comprehensive income (loss), net of tax for the six-month period ended June 30, 2024	-	-	-	(1,353,778)	(1,353,778)
Total comprehensive loss for the six-month period ended June 30, 2024	-	-	900,405	(1,353,778)	(453,373)
Issue of shares	4,500,000	3,600,000	-	-	8,100,000
Share-based payment	-	60,652	-	-	60,652
Balance as of June 30, 2024	<u>\$25,387,350</u>	<u>\$3,660,652</u>	<u>\$(8,154,527)</u>	<u>\$(2,118,064)</u>	<u>\$18,775,411</u>
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 six-month period ended June 30, 2025	-	-	923,243	-	923,243
Other comprehensive income (loss), net of tax for the six-month period ended June 30, 2025	-	-	-	2,935,274	2,935,274
Total comprehensive income for the six-month period ended June 30, 2025	-	-	923,243	2,935,274	3,858,517
Balance as of June 30, 2025	<u>\$30,087,350</u>	<u>\$2,044,685</u>	<u>\$923,243</u>	<u>\$641,690</u>	<u>\$33,696,968</u>

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 six-month periods ended June 30, 2025 and 2024

(Expressed in Thousands of New Taiwan Dollars)

Items	For the six-month periods ended June 30,	
	2025	2024
	Amount	Amount
Cash flows from operating activities:		
Net income before tax	\$694,106	\$900,405
Adjustments to reconcile net income before tax to net cash provided by operating activities:		
Items of incomes and expenses:		
Depreciation	3,423,470	2,554,556
Amortization	58,688	77,365
Expected credit impairment losses	335	305
Interest expense	659,519	449,489
Interest revenue	(132,854)	(82,691)
Share-based payment	-	60,652
Gain on disposal of property, plant and equipment	(3,192)	(402)
Changes in operating assets and liabilities:		
Notes receivable	(30,846)	(68,512)
Accounts receivable	(134,830)	(367,466)
Other receivables	2,796	1,055
Inventories	(225,632)	(228,609)
Other current assets	(114,095)	365,817
Contract liabilities	(131,317)	1,968,940
Accounts payable	374,771	189,021
Accounts payable-related parties	(104)	235
Other payables	(261,744)	117,056
Other current liabilities	126,605	195,115
Cash provided by operations	4,305,676	6,132,331
Interest received	174,253	75,788
Interest paid	(484,578)	(281,927)
Income tax paid	(17,126)	(4,585)
Net cash provided by operating activities	3,978,225	5,921,607
Cash flows from investing activities:		
Decrease (increase) in financial assets measured at amortized cost	325,928	(355,513)
Acquisition of property, plant and equipment	(12,051,752)	(6,022,678)
Proceeds from disposal of property, plant and equipment	4,844	712
Acquisition of intangible assets	(61,822)	(10,531)
Increase in prepayment for equipment	(2,459,479)	(5,217,226)
Decrease (increase) in refundable deposits	3,982	(324,066)
Net cash used in investing activities	(14,238,299)	(11,929,302)
Cash flows from financing activities:		
Increase in short-term loans	-	1,710,000
Decrease in short-term loans	-	(1,730,000)
Increase in short-term notes payable	-	800,000
Decrease in short-term notes payable	-	(1,100,000)
Increase in long-term loans	10,169,800	7,871,850
Decrease in long-term loans	(2,215,355)	(5,667,142)
Payments of lease liabilities	(1,973,679)	(1,700,767)
Increase in guarantee deposits	10,225	16,141
Proceeds from issuing shares	-	8,100,000
Net cash provided by financing activities	5,990,991	8,300,082
Effect of exchange rate changes on cash and cash equivalents	(89,680)	37,247
Net (decrease) increase in cash and cash equivalents	(4,358,763)	2,329,634
Cash and cash equivalents at beginning of period	16,041,913	5,640,518
Cash and cash equivalents at end of period	\$11,683,150	\$7,970,152

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.

NOTES TO INDIVIDUAL FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 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 six-month periods ended June 30, 2025 and 2024 were authorized for issue by the Board of Directors on August 11, 2025.

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 January 1, 2025. 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 Group as at the date when the Group’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 fulfilment 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 Group as at the date when the Group’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
C	Disclosure Initiative – Subsidiaries without Public Accountability: Disclosures (IFRS 19)	January 1, 2027

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 loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

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 standard permits 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.

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 and C 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 six-month periods ended June 30, 2025 and 2024 have been prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and IAS 34 “Interim Financial Reporting” 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 comprise cash on hand, demand deposits and short-term, highly liquid time deposits or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (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.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as 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.

Financial assets measured at fair value through other comprehensive income

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 and interest rate 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 merchandise for in-flight sale.

Inventories are valued at the lower of cost or 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
Lease 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:

	<u>Computer software</u>
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.

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. The estimated average annual effective income tax rate only includes current income tax. The recognition and measurement of deferred tax follows annual financial reporting requirements in accordance with IAS 12. The Company recognizes the effect of change in tax rate for deferred taxes in full if the new tax rate is enacted by the end of the interim reporting period, by charging to profit or loss, other comprehensive income, or directly to equity.

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		
	June 30, 2025	December 31, 2024	June 30, 2024
Cash on hand	\$31,006	\$30,576	\$16,300
Checking and saving accounts	3,174,262	3,106,300	2,713,990
Time deposits	8,477,882	12,905,037	5,239,862
Total	<u>\$11,683,150</u>	<u>\$16,041,913</u>	<u>\$7,970,152</u>

(2) Financial assets measured at amortized cost

	As of		
	June 30, 2025	December 31, 2024	June 30, 2024
Time deposits	\$1,053,950	\$1,491,656	\$1,820,013
Saving accounts	300,407	188,629	268,721
Government bonds	417	417	416
Less: loss allowance	-	-	-
Total	<u>\$1,354,774</u>	<u>\$1,680,702</u>	<u>\$2,089,150</u>

	As of		
	June 30, 2025	December 31, 2024	June 30, 2024
Current	\$184,385	\$613,712	\$1,002,385
Non-current	1,170,389	1,066,990	1,086,765
Total	<u>\$1,354,774</u>	<u>\$1,680,702</u>	<u>\$2,089,150</u>

The credit risks for the Company's financial assets measured at amortized cost as of June 30, 2025, December 31, 2024 and June 30, 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.

(3) Financial assets and liabilities for hedging

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

	As of		
	June 30, 2025	December 31, 2024	June 30, 2024
Financial assets for hedging			
Forward fuel contracts	<u>\$17,784</u>	<u>\$-</u>	<u>\$-</u>
Current	\$17,784	\$-	\$-
Non-current	-	-	-

	As of		
	June 30, 2025	December 31, 2024	June 30, 2024
Financial liabilities for hedging			
Foreign currency component of non- derivative lease liabilities	\$29,334,477	\$34,571,682	\$32,530,598
Current	\$3,164,077	\$3,505,333	\$3,141,370
Non-current	26,170,400	31,066,349	29,389,228

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 June 30, 2025, December 31, 2024, and June 30, 2024 are as follows:

Hedged item	Hedging instrument	Lease liabilities designated as hedging instruments			Period when cash flows are expected to occur	Period when profit or loss is affected
		As of				
		June 30, 2025	December 31, 2024	June 30, 2024		
Fuel costs	Forward fuel contract	\$17,784	\$-	\$-	2025.7.31~ 2025.12.31	2025.7.31~ 2025.12.31

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 June 30, 2025, December 31, 2024 and June 30, 2024, the cash flow hedged items and non-derivate financial hedging instruments designated for hedging were as follows :

Hedged item	Hedging instrument	Lease liabilities designated as hedging instruments			Period when cash flows are expected to occur	Period when profit or loss is affected
		As of				
		June 30, 2025	December 31, 2024	June 30, 2024		
Foreign currency of operating revenue	Foreign currency of lease liabilities	\$29,334,477	\$34,571,682	\$32,530,598	2024~2036	2024~2036

D. The details arising from cash flow hedges for the three-month periods and six-month periods ended June 30, 2025 and 2024, were as follows :

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2025	2024	2025	2024
Recognized in other comprehensive income	\$4,019,778	\$(392,632)	\$3,669,092	\$(1,692,222)
Reclassified to profit or loss	(65,088)	(73,326)	(155,201)	(124,712)

(4) Notes Receivable and Accounts Receivable

	As of		
	June 30, 2025	December 31, 2024	June 30, 2024
Notes receivable	\$110,619	\$79,773	\$144,099
Accounts receivable	1,263,753	1,128,938	1,043,770
Less: loss allowance	(846)	(526)	(305)
Total	<u>\$1,373,526</u>	<u>\$1,208,185</u>	<u>\$1,187,564</u>

Notes receivable and accounts receivable were not pledged.

Accounts receivables are generally on 30-90 day terms. The total carrying amount as of June 30, 2025, December 31, 2024 and June 30, 2024 were NT\$1,374,372 thousand, NT\$1,208,711 thousand and NT\$1,187,869 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 June 30, 2025, December 31, 2024 and June 30, 2024, was as follows:

As of June 30, 2025

	Not yet due	Overdue				Total
		<=30 days	31-60 days	61-90 days	>90 days	
Gross carrying amount	\$1,352,843	\$20,518	\$92	\$179	\$740	\$1,374,372
Loss rate	-%	-%	64%	91%	84%	
Lifetime expected credit losses	-	-	(59)	(163)	(624)	(846)
Total	<u>\$1,352,843</u>	<u>\$20,518</u>	<u>\$33</u>	<u>\$16</u>	<u>\$116</u>	<u>\$1,373,526</u>

As of December 31, 2024

	Not yet due	Overdue				Total
		<=30 days	31-60 days	61-90 days	>90 days	
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

As of June 30, 2024

	Not yet due	Overdue				Total
		<=30 days	31-60 days	61-90 days	>90 days	
Gross carrying amount	\$1,134,644	\$37,741	\$15,085	\$107	\$292	\$1,187,869
Loss rate	-%	-%	-%	84%	74%	
Lifetime expected credit losses	-	-	-	(90)	(215)	(305)
Total	\$1,134,644	\$37,741	\$15,085	\$17	\$77	\$1,187,564

The movements of loss allowance for the six-month periods ended June 30, 2025 and 2024, were as follows :

	For the six-month periods ended June 30,	
	2025	2024
Beginning balance	\$526	\$-
Charge/(reversal) for the current period	335	305
Write off due to uncollectibility	(15)	-
Ending balance	\$846	\$305

(5) Inventories

	As of		
	June 30, 2025	December 31, 2024	June 30, 2024
Merchandise for in-flight sale and services	\$886,352	\$840,197	\$749,977
Aircraft spare parts	952,901	773,424	559,495
Total	\$1,839,253	\$1,613,621	\$1,309,472

The cost of inventories recognized in expenses amounted to NT\$208,151 thousand, NT\$146,886 thousand, NT\$379,667 thousand and NT\$282,940 thousand for the three-month periods and the six-month periods ended June 30, 2025 and 2024, respectively.

The company's inventories were not pledged as collateral.

(6) Property, plant and equipment

	As of				
	June 30, 2025	December 31, 2024	June 30, 2024		
Owner occupied property, plant and equipment	<u>\$56,485,431</u>	<u>\$45,993,511</u>	<u>\$29,316,430</u>		
	Buildings	Aircrafts	Machinery and other equipment	Lease improvement	Total
<u>Cost:</u>					
2025.1.1	\$3,405,941	\$41,205,822	\$4,175,276	\$1,326,547	\$50,113,586
Additions	9,860	11,321,147	682,484	38,261	12,051,752
Reclassification	2,165	-	(439)	(2,165)	(439)
Disposals	-	-	(13,096)	(89,792)	(102,888)
2025.6.30	<u>\$3,417,966</u>	<u>\$52,526,969</u>	<u>\$4,844,225</u>	<u>\$1,272,851</u>	<u>\$62,062,011</u>
2024.1.1	\$3,397,697	\$18,593,621	\$3,188,421	\$1,125,084	\$26,304,823
Additions	6,684	5,334,002	505,435	176,557	6,022,678
Reclassification	179	-	-	-	179
Disposals	-	-	(1,586)	-	(1,586)
2024.6.30	<u>\$3,404,560</u>	<u>\$23,927,623</u>	<u>\$3,692,270</u>	<u>\$1,301,641</u>	<u>\$32,326,094</u>
<u>Accumulated depreciation:</u>					
2025.1.1	\$209,777	\$2,205,922	\$1,229,560	\$474,816	\$4,120,075
Depreciation	55,199	1,211,441	221,731	69,809	1,558,180
Reclassification	13	-	(439)	(13)	(439)
Disposals	-	-	(11,444)	(89,792)	(101,236)
2025.6.30	<u>\$264,989</u>	<u>\$3,417,363</u>	<u>\$1,439,408</u>	<u>\$454,820</u>	<u>\$5,576,580</u>
2024.1.1	\$99,846	\$859,760	\$830,084	\$345,262	\$2,134,952
Depreciation	54,702	572,373	191,121	57,613	875,809
Reclassification	179	-	-	-	179
Disposals	-	-	(1,276)	-	(1,276)
2024.6.30	<u>\$154,727</u>	<u>\$1,432,133</u>	<u>\$1,019,929</u>	<u>\$402,875</u>	<u>\$3,009,664</u>
<u>Net carrying amount:</u>					
2025.6.30	<u>\$3,152,977</u>	<u>\$49,109,606</u>	<u>\$3,404,817</u>	<u>\$818,031</u>	<u>\$56,485,431</u>
2024.12.31	<u>\$3,196,164</u>	<u>\$38,999,900</u>	<u>\$2,945,716</u>	<u>\$851,731</u>	<u>\$45,993,511</u>
2024.6.30	<u>\$3,249,833</u>	<u>\$22,495,490</u>	<u>\$2,672,341</u>	<u>\$898,766</u>	<u>\$29,316,430</u>

Capitalized borrowing costs of prepayment for equipment for the three-month periods and the six-month periods ended June 30, 2025 and 2024 were NT\$42,321 thousand, NT\$47,097 thousand, NT\$89,542 thousand and NT\$89,220 thousand, with capitalization rate of borrowing costs at 1.97%~1.98%, 1.85%~1.95%, 1.92%~1.98% and 1.84%~1.95%, 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.

(7) Prepayment for equipment

	As of		
	June 30, 2025	December 31, 2024	June 30, 2024
Prepayment for aircraft	\$13,459,354	\$11,136,638	\$10,488,981
Prepayment for construction	2,956,996	2,829,469	2,744,964
Others	333,148	234,370	222,352
Total	<u>\$16,749,498</u>	<u>\$14,200,477</u>	<u>\$13,456,297</u>

(8) Short-term loans

	Interest Rates	As of		
		June 30, 2025	December 31, 2024	June 30, 2024
Unsecured bank loans	1.85%~2.13%	\$-	\$-	\$830,000

The Company's unused short-term loans of credits amounted to NT\$2,000,000 thousand, NT\$1,900,000 thousand and NT\$1,400,000 thousand as of June 30, 2025, December 31, 2024 and June 30, 2024, respectively.

(9) Long-term loans

	As of June 30, 2025			
	Currency	Interest Rates	Maturity Date	Amount
Unsecured bank loans	NTD	1.96%~2.54%	2026.12.25~2031.9.30	\$6,237,665
Secured bank loans (Note)	NTD	2.14%~2.57%	2026.10.23~2037.3.17	40,566,544
Subtotal				<u>46,804,209</u>
Less: current portion				<u>(1,246,036)</u>
Total				<u>\$45,558,173</u>

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

As of June 30, 2024				
	Currency	Interest Rates	Maturity Date	Amount
Unsecured bank loans	NTD	1.93%~2.61%	2024.7.1~2027.12.30	\$4,587,421
Secured bank loans (Note)	NTD	1.98%~2.61%	2024.7.13~2036.3.1	20,902,807
Subtotal				25,490,228
Less: current portion				(2,387,569)
Total				\$23,102,659

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\$30,012,826 thousand as of June 30, 2025.

(10) Post-employment benefits

Defined contribution plan

Expenses under the defined contribution plan for the three-month periods and the six-month periods ended June 30, 2025 and 2024 were NT\$62,442 thousand, NT\$50,851 thousand, NT\$124,285 thousand and NT\$97,907 thousand, respectively.

(11) Provisions

	<u>Decommissioning, restoration and rehabilitation costs</u>
As of January 1, 2025	\$946,413
Arising during the period	-
Utilized	-
Unwinding of discount due to the passage of time	6,894
Effect of exchange rate changes	<u>(72,653)</u>
As of June 30, 2025	<u>\$880,654</u>
Non-current-as of June 30, 2025	<u>\$880,654</u>
Non-current-as of December 31, 2024	<u>\$946,413</u>
Non-current-as of June 30, 2024	<u>\$852,604</u>

Provisions have been recognized for decommissioning costs associated with leased aircraft and offices and are measured based on the discounted cashflow for the expected obligation settlement.

(12) Equity

A. Common stock

The Company's authorized capital were NT\$70,000,000 thousand, and issued capital were NT\$30,087,350 thousand, NT\$30,087,350 thousand and NT\$25,387,350 thousand, which were divided into 3,008,735 thousand shares, 3,008,735 thousand shares and 2,538,735 thousand shares at each NT\$10 par value, as of June 30, 2025, December 31, 2024 and June 30, 2024, respectively. Each share has one voting right and a right to receive dividends.

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.

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.

B. Capital surplus

	As of		
	June 30, 2025	December 31, 2024	June 30, 2024
Additional paid-in capital	\$2,044,685	\$9,775,179	\$3,660,652

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 June 13, 2025 and June 14, 2024, the shareholders' meeting resolved not to distribute earnings because of the position of accumulated loss as of December 31, 2024 and 2023.

(13) Share-based payment plan

Capital increase by cash reserved for employee share options

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:

<u>Agreement type</u>	<u>Date of grant</u>	<u>Subscribed shares (in thousands)</u>	<u>Contract period</u>	<u>Vested condition</u>	<u>Date of transfer</u>
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:

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

The compensation costs recognized amounted to NT\$60,652 thousand for the sixth-month period ended June 30, 2024.

(14) Operating revenue

A. Disaggregation of revenue

	For the three-month periods		For the six-month periods	
	ended June 30,		ended June 30,	
	2025	2024	2025	2024
Revenue from contracts				
with customers				
Aviation transportation				
revenue				
Passenger revenue	\$8,524,672	\$7,210,926	\$18,197,295	\$14,422,174
Cargo revenue	1,256,630	699,198	2,177,454	1,136,115
Sale of goods revenue	50,789	41,062	105,325	84,629
Other revenue	937,465	386,242	1,484,321	689,710
Total	<u>\$10,769,556</u>	<u>\$8,337,428</u>	<u>\$21,964,395</u>	<u>\$16,332,628</u>
Timing of revenue				
recognition:				
At a point in time	<u>\$10,769,556</u>	<u>\$8,337,428</u>	<u>\$21,964,395</u>	<u>\$16,332,628</u>

B. Contract balances

Contract liabilities

	As of			
	June 30,	December 31,	June 30,	January 1,
	2025	2024	2024	2024
Tickets services	\$7,424,498	\$7,709,216	\$6,999,771	\$5,055,114
Others (customer loyalty				
programs, etc.)	371,513	218,112	93,516	69,233
Total	<u>\$7,796,011</u>	<u>\$7,927,328</u>	<u>\$7,093,287</u>	<u>\$5,124,347</u>
Current	\$7,497,986	\$7,737,370	\$7,018,836	\$5,071,157
Non-current	298,025	189,958	74,451	53,190

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 six-month periods ended June 30, 2025 and 2024 are as follows:

	For the six-month periods ended June 30,	
	2025	2024
The opening balance transferred to revenue	\$6,601,291	\$4,436,232

(15) 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 are as follow:

a. Amounts recognized in the balance sheet

i. Right-of-use assets

The carrying amount of right-of-use assets

	As of		
	June 30, 2025	December 31, 2024	June 30, 2024
Land	\$414,736	\$439,817	\$415,620
Buildings	1,829,543	1,963,459	1,729,668
Aircraft	29,371,278	31,051,583	29,358,805
Others	7,858	7,404	7,885
Total	<u>\$31,623,415</u>	<u>\$33,462,263</u>	<u>\$31,511,978</u>

For the three-month periods and the six-month periods ended June 30, 2025 and 2024, the Company's additions to right-of-use assets amounted to NT\$3,360 thousand, NT\$23,007 thousand, NT\$33,127 thousand and NT\$71,271 thousand, respectively.

ii. Lease liabilities

	As of		
	June 30, 2025	December 31, 2024	June 30, 2024
Lease liabilities	<u>\$1,805,967</u>	<u>\$1,931,847</u>	<u>\$1,667,978</u>
Current	\$268,494	\$277,356	\$207,862
Non-current	1,537,473	1,654,491	1,460,116

Please refer to Note 6(17)c. for the interest on lease liabilities recognized during the three-month periods and the six-month periods ended June 30, 2025 and 2024, Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities and Note 6(3) 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 three-month periods ended June 30,		For the six-month periods ended June 30,	
	2025	2024	2025	2024
Land	\$15,876	\$13,518	\$31,751	\$27,042
Buildings	76,260	55,634	151,424	110,660
Aircraft	840,153	769,880	1,680,305	1,539,760
Others	972	742	1,810	1,285
Total	<u>\$933,261</u>	<u>\$839,774</u>	<u>\$1,865,290</u>	<u>\$1,678,747</u>

c. Income and costs relating to leasing activities

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2025	2024	2025	2024
The expenses relating to short-term leases	\$17,275	\$33,174	\$39,049	\$55,009
The expenses relating to leases of low-value assets (not including the expenses relating to short-term leases of low-value assets)	1,395	2,890	7,068	4,697

d. Cash outflow relating to leasing activities

For the three-month periods and the six-month periods ended June 30, 2025 and 2024, the Company's total cash outflows for leases amounted to NT\$1,015,028 thousand, NT\$888,172 thousand, NT\$2,019,796 thousand and NT\$1,760,473 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.

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

By feature \ By function	For the three-month periods ended June 30,					
	2025			2024		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$1,103,984	\$552,017	\$1,656,001	\$811,397	\$458,908	\$1,270,305
Labor and health insurance	69,715	44,024	113,739	49,948	37,110	87,058
Pension	35,257	28,280	63,537	27,610	23,598	51,208
Other employee benefits expense	45,537	44,482	90,019	38,512	27,960	66,472
Depreciation	1,634,718	154,085	1,788,803	1,178,433	129,388	1,307,821
Amortization	-	28,226	28,226	-	38,620	38,620

By feature \ By function	For the six-month periods ended June 30,					
	2025			2024		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$2,120,736	\$1,086,017	\$3,206,753	\$1,564,581	\$957,377	\$2,521,958
Labor and health insurance	133,788	94,906	228,694	95,310	75,860	171,170
Pension	69,234	57,066	126,300	52,116	46,440	98,556
Other employee benefits expense	90,812	91,452	182,264	66,093	57,198	123,291
Depreciation	3,117,120	306,350	3,423,470	2,305,903	248,653	2,554,556
Amortization	-	58,688	58,688	-	77,365	77,365

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 1% and 0% of profit as employees' compensation and remuneration to directors and supervisors and recognized in salaries expense amounted to NT\$7,011 thousand and NT\$0 thousand for the six-month period ended June 30, 2025, respectively. The Company did not distribute employees' compensation or remuneration to directors and supervisors for the six-month periods ended June 30, 2024, because of the accumulated losses position.

(17) Non-operating income and expenses

A. Other income

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2025	2024	2025	2024
Interest income				
Financial assets measured at amortized cost	\$60,803	\$53,405	\$132,854	\$82,691
Others	1,293	1,362	5,998	2,678
Total	<u>\$62,096</u>	<u>\$54,767</u>	<u>\$138,852</u>	<u>\$85,369</u>

B. Other gains and losses

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2025	2024	2025	2024
Gain on disposal of property, plant and equipment	\$3,186	\$402	\$3,192	\$402
Foreign exchange loss, net	(217,097)	(88,287)	(305,973)	(106,569)
Other income and expenditure	(3,020)	(2,297)	(6,268)	(5,670)
Total	<u>\$(216,931)</u>	<u>\$(90,182)</u>	<u>\$(309,049)</u>	<u>\$(111,837)</u>

C. Finance costs

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2025	2024	2025	2024
Interest on lease liabilities	\$125,346	\$118,574	\$252,488	\$240,738
Interest on loans from bank	222,998	106,988	400,137	202,698
Unwinding of discount on provisions	3,473	3,032	6,894	6,053
Total	<u>\$351,817</u>	<u>\$228,594</u>	<u>\$659,519</u>	<u>\$449,489</u>

(18) Components of Other Comprehensive Income (Loss)

The major components of other comprehensive income (loss) for the three-month periods ended June 30, 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	\$3,954,690	\$65,088	\$4,019,778	\$(803,955)	\$3,215,823

The major components of other comprehensive income (loss) for the three-month periods ended June 30, 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	\$(465,958)	\$73,326	\$(392,632)	\$78,526	\$(314,106)

The major components of other comprehensive income (loss) for the six-month periods ended June 30, 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	\$3,513,891	\$155,201	\$3,669,092	\$(733,818)	\$2,935,274

The major components of other comprehensive income (loss) for the six-month periods ended June 30, 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	\$(1,816,934)	\$124,712	\$(1,692,222)	\$338,444	\$(1,353,778)

(19) Income tax

The major components of income tax expense (benefit) during the three-month periods and the six-month periods ended June 30, 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 three-month periods ended June 30,		For the six-month periods ended June 30,	
	2025	2024	2025	2024
Current income tax expense (benefit):				
Current income tax charge	\$49,588	\$-	\$222,366	\$-
Deferred income tax expense (benefit):				
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	(229,467)	55,153	(453,237)	180,081
Tax expense (benefit) recognized in the period for previously unrecognized tax loss, tax credit or temporary difference of prior periods	1,734	(55,153)	1,734	(180,081)
Income tax benefit	\$(178,145)	\$-	\$(229,137)	\$-

Income tax recognized in other comprehensive income

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2025	2024	2025	2024
Deferred income tax expense (benefit):				
Income tax expense (benefit) related to components of other comprehensive income that may be reclassified to profit or loss				
Gains (losses) on hedging instruments	\$803,955	\$(78,526)	\$733,818	\$(338,444)

The assessment of income tax returns

As of June 30, 2025, the assessment of income tax returns of the Company was approved up to 2022.

(20) Earnings per share

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

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 period 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 three-month periods ended June 30,		For the six-month periods ended June 30,	
	2025	2024	2025	2024
A. Basic earnings per share				
Net income attributable to ordinary equity holders of the Company (in thousand NT\$)	\$8,360	\$277,551	\$923,243	\$900,405
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	3,008,735	2,538,735	3,008,735	2,321,153
Basic earnings per share (NT\$)	\$-	\$0.11	\$0.31	\$0.39

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2025	2024	2025	2024
B. Diluted earnings per share				
Net income attributable to ordinary equity holders of the Company (in thousand NT\$)	\$8,360	\$277,551	\$923,243	\$900,405
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	3,008,735	2,538,735	3,008,735	2,321,153
Effect of dilution:				
Employee compensation-stock (in thousands)	273	-	273	-
Weighted average number of ordinary shares outstanding after dilution (in thousands)	3,009,008	2,538,735	3,009,008	2,321,153
Diluted earnings per share (NT\$)	\$-	\$0.11	\$0.31	\$0.39

C. There were no significant changes in the number of outstanding common shares or potential common shares from the end of the reporting period to the date the financial statements were authorized for issuance.

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
Uni Airways Corporation	Other related parties
G-Yen Hutong Co., Ltd.	Other related parties
Himage International Corp.	Other related parties

Significant transactions with related parties

(1) Operating revenue

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2025	2024	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 three-month periods ended June 30,		For the six-month periods ended June 30,	
	2025	2024	2025	2024
Other related parties	\$-	\$38	\$-	\$38

(3) Operating expenses

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2025	2024	2025	2024
Other related parties	\$465	\$222	\$695	\$222

(4) Non-operating income

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2025	2024	2025	2024
Juristic person director	\$46	\$-	\$183	\$69

(5) Accounts payable-related parties

	As of		
	June 30, 2025	December 31, 2024	June 30, 2024
Other related parties	\$313	\$417	\$235

(6) Key management personnel compensation

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2025	2024	2025	2024
Short-term employee benefits	\$10,576	\$10,831	\$28,512	\$24,892
Post-employment benefits	378	342	774	711
Share-based Payment	-	-	-	239
Total	\$10,954	\$11,173	\$29,286	\$25,842

(7) The Company sold property, plant and equipment to other related parties with total amount of NT\$113 thousand for the six-month periods ended June 30, 2024, resulting in gains from disposal at the amount of NT\$18 thousand.

(8) 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:

Assets pledged for security	Carrying amount as of			Secured liabilities
	June 30, 2025	December 31, 2024	June 30, 2024	
Financial assets measured at amortized cost	\$1,354,357	\$1,680,285	\$2,088,734	Long-term loans and guarantee
Property, plant and equipment – aircraft and machinery and other equipment	47,123,270	37,559,813	21,825,069	Long-term loans
Total	<u>\$48,477,627</u>	<u>\$39,240,098</u>	<u>\$23,913,803</u>	

9. Commitments and Contingencies

(1) As of June 30, 2025, the Company entered into lease contracts to rent 28 planes with aircraft lease companies, 19 of which had been delivered to the Company. The remaining 9 planes will be successively delivered to the Company starting from July 1, 2025 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 June 30, 2025, 9 planes had been delivered to the Company, and the remaining 31 planes will be successively delivered to the Company starting from July 1, 2025. The Company has partially prepaid the price of NT11,068,797 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 June 30, 2025, 5 spare engines had been delivered to the Company, and the remaining 7 spare engines will be successively delivered to the Company starting from July 1, 2025. The Company has partially prepaid the price of NT\$1,224,682 thousand.

(4) As of June 30, 2025, the Company obtained guarantees of SG\$2,237 thousand, US\$29,974 thousand, JPY201,400 thousand, HK\$6,720 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 June 30, 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

None.

12. Others

(1) Categories of financial instruments

Financial assets

	As of		
	June 30, 2025	December 31, 2024	June 30, 2024
Financial assets measured at amortized cost			
Cash and cash equivalents (cash on hand excluded)	\$11,652,144	\$16,011,337	\$7,953,852
Financial assets measured at amortized cost			
Notes receivable	1,354,774	1,680,702	2,089,150
Accounts receivable	110,619	79,773	144,099
Other receivables	1,262,907	1,128,412	1,043,465
Refundable deposits	24,882	69,077	50,835
Subtotal	1,226,664	1,230,647	1,162,350
Subtotal	15,631,990	20,199,948	12,443,751
Financial assets for hedging	17,784	-	-
Total	\$15,649,774	\$20,199,948	\$12,443,751

Financial liabilities

	As of		
	June 30, 2025	December 31, 2024	June 30, 2024
Financial liabilities at amortized cost:			
Short-term loans	\$-	\$-	\$830,000
Accounts payable	3,134,697	2,759,926	2,465,268
Accounts payable-related parties	313	417	235
Other payables	819,465	1,076,108	541,173
Long-term loans (current portion with maturity less than 1 year included)	46,804,209	38,849,764	25,490,228
Lease liabilities	1,805,967	1,931,847	1,667,978
Guarantee deposits	60,669	50,444	36,913
Subtotal	52,625,320	44,668,506	31,031,795
Financial liabilities for hedging	29,334,477	34,571,682	32,530,598
Total	\$81,959,797	\$79,240,188	\$63,562,393

(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.

Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense 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 to hedge foreign currency risk on the cash inflow from operating revenue with a highly probable forecast transaction. The Company designates the foreign currency component of such non-derivative financial liabilities as cash flow hedge. 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 six-month periods ended June 30, 2025 and 2024 would be increased/decreased by NT\$1,842 thousand and decrease/increase NT\$14,359 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 decrease/increase by NT\$46,804 thousand and NT\$26,320 thousand for the six-month periods ended June 30, 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
As of June 30, 2025					
Loans	\$2,331,547	\$11,285,788	\$7,589,652	\$32,834,969	\$54,041,956
Accounts payable (related parties included)	3,135,010	-	-	-	3,135,010
Other payables	819,465	-	-	-	819,465
Lease liabilities (Note)					
Hedging instruments	3,588,131	7,191,736	7,191,736	13,417,190	31,388,793

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of December 31, 2024					
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

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of June 30, 2024					
Loans	\$3,809,292	\$6,812,922	\$5,613,130	\$13,482,421	\$29,717,765
Accounts payable (related parties included)	2,465,503	-	-	-	2,465,503
Other payables	541,173	-	-	-	541,173
Lease liabilities (Note)					
Hedging instruments	3,600,699	7,330,584	7,339,152	16,651,960	34,922,395

Note:

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

	Maturities					Total
	Less than 1 year	1 to 5 years	6 to 10 years	10 to 15 years	>15 years	
2025.6.30	\$302,656	\$836,173	\$376,855	\$542,994	\$-	\$2,058,678
2024.12.31	\$317,129	\$919,636	\$392,415	\$576,797	\$-	\$2,205,977
2024.6.30	\$245,880	\$685,541	\$401,270	\$612,378	\$-	\$1,945,069

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 as of June 30, 2025 is as follows:

	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	7,954,445	(1,973,679)	10,225	5,990,991
Non-cash changes	-	278,878	-	278,878
Effect of exchange rate changes	-	(3,668,284)	-	(3,668,284)
2025.6.30	<u>\$46,804,209</u>	<u>\$31,140,444</u>	<u>\$60,669</u>	<u>\$78,005,322</u>

Information of reconciliation for liabilities as of June 30, 2024 is as follows:

	Short-term loans	Short-term notes payable	Long-term loans	Leases liabilities and financial liabilities for hedging	Total liabilities from financing activities
2024.1.1	\$850,000	\$300,000	\$23,285,520	\$33,892,692	\$58,328,212
Cash flows	(20,000)	(300,000)	2,204,708	(1,700,767)	183,941
Non-cash changes	-	-	-	312,009	312,009
Effect of exchange rate changes	-	-	-	1,694,642	1,694,642
2024.6.30	<u>\$830,000</u>	<u>\$-</u>	<u>\$25,490,228</u>	<u>\$34,198,576</u>	<u>\$60,518,804</u>

(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:

<u>Item</u>	<u>Contract trading volume</u>	<u>Period</u>
2025.6.30		
Forward fuel contracts – swap	75,000 BBL	2025.7.31~2025.9.30
Forward fuel contracts – option	75,000 BBL	2025.10.1~2025.12.31
2024.12.31		
None.		
2024.6.30		
None.		

(9) Fair value measurement hierarchy

A. Fair value measurement hierarchy definition

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 information

2025.6.30	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value :				
Financial assets for hedging				
Forward fuel contracts	\$-	\$17,784	\$-	\$17,784

2024.12.31

None.

2024.6.30

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 June 30, 2025		
	Foreign currencies (thousand)	Foreign exchange rate	NTD (thousand)
<u>Financial assets</u>			
Monetary items:			
USD	\$68,431	29.30	\$2,005,037

Financial liabilities

Monetary items:			
USD	\$1,075,895	29.30	\$31,523,717

	As of December 31, 2024		
	Foreign currencies (thousand)	Foreign exchange rate	NTD (thousand)
<u>Financial assets</u>			
Monetary items:			
USD	\$117,513	32.785	\$3,909,320

Financial liabilities

Monetary items:			
USD	\$1,119,512	32.785	\$36,703,071

	As of June 30, 2024		
	Foreign currencies (thousand)	Foreign exchange rate	NTD (thousand)
<u>Financial assets</u>			
Monetary items:			
USD	\$98,791	32.45	\$3,205,759
<u>Financial liabilities</u>			
Monetary items:			
USD	\$1,057,025	32.45	\$34,300,469

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 three-month periods and six-month periods ended June 30, 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: None.

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.