

**Honmyue Enterprise Co., Ltd.**

Consolidated Financial Statements for the Years  
Ended December 31, 2024 and 2023 and

Independent Auditors' Report

(Stock Code 1474)

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HONMYUE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements for the Years

Ended December 31, 2024 and 2023 and

Independent Auditors' Report

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Honmyue Enterprise Co., Ltd.

Declaration of Consolidated Financial Statements of Associates

We hereby declare that for the fiscal year 2024 (covering the period from January 1, 2024 to December 31, 2024), the companies required to prepare consolidated financial statements for associates, as stipulated under the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Associates,” and International Financial Reporting Standard No. 10, are identical. In addition, the information that is required to be disclosed in the consolidated financial statements for associates have been comprehensively disclosed in the consolidated financial statements for parent and subsidiary companies. As such, we have determined that the preparation of separate consolidated financial statements for associates is not necessary.

Hereby Declare

Honmyue Enterprise Co., Ltd.

Chairman: Yeh, Po-Yu

March 10, 2025

## Independent Auditors' Report

(2025) Ministry of Finance approved No. 24002474

The Board of Directors and Shareholders

Honmyue Enterprise Co., Ltd.

### **Opinion**

We have conducted an audit on the consolidated financial statements of Honmyue Enterprise Co., Ltd. and subsidiaries (referred to as the "Group") for the year ended December 31, 2024 and 2023, which include the consolidated statements of comprehensive income, statements of changes in equity, and statements of cash flows for the period from January 1 to December 31, 2024 and 2023. We have also reviewed the notes to the consolidated financial statements, which contain a summary of significant accounting policies.

In our opinion, the consolidated financial statements presented herein, which were prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, fairly present the consolidated financial position of the Group as of December 31, 2024 and 2023, as well as its consolidated financial performance and consolidated cash flows for the period from January 1 to December 31, 2024 and 2023, in all material respects.

### **Basis for Opinion**

We conducted our audit in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and the Generally Accepted Auditing Standards in the Republic of China (ROC GAAS). Our responsibility under these standards is explained further in the section titled "Auditors' Responsibilities for the Audit of the Consolidated Financial Statements." Our firm's staff members subject to independence requirements comply with the Codes of Professional Ethics for Certified Public Accountants in the Republic of China and have maintained their independence from the Group, fulfilling other ethical responsibilities as per the Codes. We are of the opinion that we have obtained sufficient and appropriate audit evidence to support our opinion.

### **Key Audit Matter**

Key audit matters refer to those matters that, in our professional judgment, were most

significant in the audit of the Group's consolidated financial statements for the year 2024. These matters were addressed as part of our overall audit of the consolidated financial statements, and we do not express a separate opinion on them.

The key audit matters for the Group's consolidated financial statements for the year 2024 are as follows:

### **Cutoff Point for Revenue Recognition**

#### **Description**

For accounting policies on revenue recognition, please refer to Note 4(29) in the Consolidated Financial Statements. For statement of operating revenue, please refer to Note 6(19). The Group mainly engages in the manufacturing and sales of various cotton, wool, silk, and synthetic fiber textiles. Revenue from sales is recognized when control of the goods is transferred upon arrival at the destination port, based on the terms of the transaction, and is recognized at the end of each month through manual checking of the transaction date and the actual arrival date. This revenue recognition process involves many manual judgments and operations, which may result in revenue being recorded in the wrong period. Therefore, the cutoff date for revenue from sales is regarded as one of the key audit matters to be audited this year.

#### **Audit Procedure (How our audit addressed the matter)**

Our auditor's main audit procedures based on the specific aspects described in the key audit matter are as follows:

1. Obtain an understanding of and evaluated the sales transaction operation procedures and internal controls, and tested these controls to assess the effectiveness of management's control over the timing of the recognition of sales revenue.
2. Verify sales transactions for a certain period before and after the balance sheet date by checking the transaction documents to confirm that sales transactions were recorded in the appropriate period.

### **Allowance for Inventory Valuation Losses**

#### **Description**

Regarding the accounting policies for inventory valuation, please refer to Note 4(14) in the consolidated financial statements. For the significant accounting estimates and assumptions related to inventory valuation and their uncertainties, please refer to Note 5 in the consolidated financial statements. For the explanation of inventory provision for impairment, please refer to Note 6(4) in the consolidated financial statements. As of December 31, 2024, the inventory and

allowance for inventory valuation losses of the Group amounted to NT\$982,182 thousand and NT\$111,317 thousand, respectively.

The Group mainly engages in the manufacturing and sales of various cotton, wool, silk, and synthetic fiber textiles. For inventory that has been held for a specific period of time or that has been individually identified as impaired, the Group measures the inventory at cost or net realizable value, whichever is lower, and provides for inventory write-downs based on the usability of inventory that has been identified as obsolete or damaged. Given that the provision for inventory valuation losses has a significant impact on the financial statements of the Group and that the valuation of inventory at net realizable value at the balance sheet date requires judgement and estimation, the assessment of the provision for inventory valuation losses is regarded as one of the key audit matters to be audited this year

#### **Audit Procedure (How our audit addressed the matter)**

Our auditor's main audit procedures based on the specific aspects described in the key audit matter are as follows:

1. Understand the operation and nature of the Group, evaluate the reasonableness of its inventory provision policy for assessing inventory impairment losses.
2. Review the annual inventory counting plan of the Group and participate in the annual inventory count to assess the effectiveness of management's segregation and control of obsolete inventory.
3. Review the supporting documents related to the inventory aging report to verify the dates of inventory movements, confirm the proper classification of inventory into aging categories, and recalculate the aging report in accordance with the Group's policies.
4. Obtain the net realizable value reports of all inventory items, verify that the calculation logic is consistently applied, test the basis for the estimation of the net realizable value of inventory, including checking supporting documents such as sales prices, purchase prices, etc. Re-calculate and evaluate the reasonableness of the inventory valuation.

#### **Other matter - Parent company only financial statements**

We have audited and expressed an unqualified opinion on the Parent Company Only Financial Statements of Honmyue Enterprise Co., Ltd. as at and for the years ended December 31, 2024 and 2023.

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

Management is responsible for preparing the consolidated financial statements in compliance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and maintaining adequate internal controls related to the preparation of the consolidated financial statements to ensure that there are no significant misrepresentations due to fraud or error.

Management is responsible for evaluating the Group's ability to continue as a going concern, disclosing relevant matters, and using the going concern basis of accounting when preparing the consolidated financial statements, unless management intends to liquidate the company or cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee are responsible for overseeing the Group's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

The purpose of our audit of the consolidated financial statements is to obtain reasonable assurance that they are free from material misstatement, whether caused by fraud or error, and to issue an audit report. Reasonable assurance is a high level of assurance, but it does not guarantee that the audit, performed in accordance with ROC GAAS, will always detect a material misstatement when one exists. Misstatements can result from fraud or error and are considered material if they could reasonably be expected, individually or in aggregate, to influence the economic decisions of users based on these financial statements.

As part of our audit in accordance with the ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. In addition, we perform the following procedures:

1. Identify and assess the risks of material misstatement in the consolidated financial statements, whether caused by fraud or error. We design and perform audit procedures that are appropriate to address those risks, and obtain sufficient and appropriate audit evidence

to support our opinion. The risk of failing to detect a material misstatement due to fraud is higher than that of one due to error, because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Design appropriate audit procedures in the given circumstances, and obtain necessary understanding of internal control that is relevant to the audit. However, our objective is not to express an opinion on the effectiveness of the internal control of the Group.
3. Evaluate the appropriateness of the accounting policies adopted by management, and the reasonableness of the accounting estimates and related disclosures.
4. Assess the appropriateness of management's use of the going concern basis of accounting and determine whether any events or conditions exist that may cast significant doubt on the Group's ability to continue as a going concern, based on the audit evidence obtained. If we conclude that material uncertainty exists, we will draw attention to the related disclosures in the financial statements in our audit report or modify our opinion if such disclosures are inadequate. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, it should be noted that future events or conditions may lead to the Group's inability to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the related disclosures, and determine whether the consolidated financial statements provide a fair representation of the underlying transactions and events in a manner that is appropriate.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for directing, supervising and performing the group audit, and for forming an opinion on the consolidated financial statements based on the results of our audit.

We communicate with the governance entity regarding various matters, such as the audit's planned scope and timeline, as well as significant audit findings, which may include significant deficiencies in internal control identified during the audit process.

We also provide those charged with governance with a declaration that the personnel of our accounting firm who are subject to independence requirements have complied with the Code of Ethics for CPAs in the Republic of China concerning independence, and communicate to them any relationships and other matters that may be perceived to affect our independence, as



well as any relevant safeguards.

After communicating with those charged with governance, we determine the key audit matters that are of most significance in our audit of the Group's consolidated financial statements for the year 2024. We disclose these matters in our audit report, unless it is prohibited by law or regulation or, in exceptional cases. We decide not to communicate a specific matter in our report due to the potential negative impact on the public interest outweighing the benefits of such communication.

PricewaterhouseCoopers Taiwan  
Wang, Yu-Chuan  
CPA  
Hung, Shu-Hua

Financial Supervisory Commission  
Approval -certified No.: Jin-Guan-Certificate No. 1020028992  
Former Securities Commission of the Ministry of Finance  
Approval -certified No.: (85) Tai-Cai-Certificate (6) 68701

March 10, 2025

HONMYUE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2024 and 2023

(In Thousands of New Taiwan Dollars)

Assets		Notes	December 31, 2024		December 31, 2023			
			Amount	%	Amount	%		
CURRENT ASSET								
1100	Cash and cash equivalents	6(1)	\$	450,000	12	\$	431,458	12
1110	Financial assets at fair value through profit or loss - current	6(2)		13,454	-		15,256	
1136	Financial assets at amortized cost - current	6(1) and 8		4,756	-		-	-
1150	Notes receivable	6(3)		99,092	3		89,561	2
1160	Notes receivables - related parties	7(2)		1,253	-		220	-
1170	Accounts receivable	6(3)		591,684	15		513,350	14
1180	Accounts receivable - related parties	7(2)		70	-		1,604	-
1200	Other receivables	7(2)		26,322	1		34,350	1
130X	Inventories	6(4)		870,865	22		874,530	23
1410	Prepayments	6(5)		199,862	5		153,005	4
1470	Other current assets			2,570	-		1,788	-
11XX	Total current asset			2,259,928	58		2,115,122	56
NON-CURRENT ASSET								
1517	Financial assets at fair value through other comprehensive income - non-current	6(6)		43,684	1		64,638	2
1535	Financial assets at amortized cost - non-current	6(1), 8		11,300	-		13,462	-
1550	Investment accounted for using equity method	6(7)		-	-		128	-
1600	Property, plant and equipment	6(8), 8		1,400,668	36		1,408,738	38
1755	Right-of-use assets	6(9), 7(2)		66,248	2		64,604	2
1780	Intangible assets			15,196	-		11,829	-
1840	Deferred tax assets	6(25)		34,878	1		42,587	1
1900	Other non-current assets	8		65,406	2		43,895	1
15XX	Total non-current asset			1,637,380	42		1,649,881	44
1XXX	TOTAL ASSET		\$	3,897,308	100	\$	3,765,003	100

(Continued)

**HONMYUE ENTERPRISE CO., LTD. AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**December 31, 2024 and 2023**

(In Thousands of New Taiwan Dollars)

(In Thousands of New Taiwan Dollars)						
Liabilities and Equity		Note	December 31, 2024		December 31, 2023	
			Amount	%	Amount	%
CURRENT LIABILITIES						
2100	Short-term borrowings	6(10)	\$ 490,317	13	\$ 341,029	9
2110	Short-term notes and bills payable	6(11)	-	-	29,923	1
2130	Current contract liabilities	6(19)	51,369	1	25,287	1
2150	Notes payable	7(2)	97,738	3	92,087	2
2170	Accounts payable	7(2)	231,140	6	210,023	6
2200	Other payables	6(12), 7(2)	232,283	6	185,692	5
2230	Current income tax liabilities		2,802	-	12,196	-
2320	Long-term liabilities within one year or one business cycle	6(13)(14)	408,056	10	153,999	4
2399	Other current liabilities	6(9), 7(2)	5,092	-	67,847	2
21XX	Total current liabilities		1,518,797	39	1,118,083	30
NON-CURRENT LIABILITIES						
2530	Bonds payable	6(13)	-	-	295,720	8
2540	Long-term loan	6(14)	92,357	2	196,357	5
2570	Deferred tax liabilities	6(25)	69,689	2	67,569	2
2600	Other non-current liabilities	6(9)(15)(20), 7(2)	43,157	1	54,094	1
25XX	Total non-current liabilities		205,203	5	613,740	16
2XXX	Total liabilities		1,724,000	44	1,731,823	46
EQUITIES						
Equities attrib. to owner of the parent						
	Share capital	6(16)				
3110	Ordinary shares		1,298,970	33	1,298,970	35
	Capital reserve	6(17)				
3200	Capital reserve		50,735	1	50,735	1
	Retained earnings	6(18)				
3310	Legal reserve		239,318	6	239,318	6
3320	Special Reserve		182,752	5	182,752	5
3350	Unappropriated retained earnings		427,644	11	315,361	8
	Other equity interest					
3400	Other equity interest		( 61,775)	( 1)	( 83,123)	( 2)
31XX	Equity attrib. to owners of the parent		2,137,644	55	2,004,013	53
36XX	Non-controlling interests		35,664	1	29,167	1
3XXX	Total equity		2,173,308	56	2,033,180	54
	Material contingent liabilities and unrecognized contractual commitments	9				
	Significant subsequent events	11				
3X2X	Total liabilities and equity		\$ 3,897,308	100	\$ 3,765,003	100

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

Chairman: Yeh, Po-Yu

Manager: Kuo, Cheng-Pei

Chief Accountant: Pan, Li-Che

**HONMYUE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income**  
**From January 1 to December 31, 2024 and 2023**

(In Thousands of New Taiwan Dollars)  
(Except for earnings (loss) per share expressed in New Taiwan Dollar)

	Item	Note	2024		2023	
			Amount	%	Amount	%
4000	Operating Revenue	6(19), 7(2)	\$ 3,168,177	100	\$ 2,685,726	100
5000	Operating costs	6(4), 7(2)	( 2,879,221)	( 91)	( 2,474,942)	( 92)
5900	Operating margin		<u>288,956</u>	<u>9</u>	<u>210,784</u>	<u>8</u>
	Operating expenses	6(23)(24)				
6100	Sales and marketing expenses		( 120,164)	( 4)	( 105,608)	( 4)
6200	General and administrative expenses		( 166,944)	( 5)	( 147,776)	( 6)
6300	Research and development expenses		( 64,522)	( 2)	( 53,995)	( 2)
6450	Expected credit impairment loss	12(2)	67	-	4,828	-
6000	Total Operating Expenses		<u>( 351,563)</u>	<u>( 11)</u>	<u>( 302,551)</u>	<u>( 12)</u>
6900	Operating loss		<u>( 62,607)</u>	<u>( 2)</u>	<u>( 91,767)</u>	<u>( 4)</u>
	Non-operating income and expenses					
7100	Interest income		3,153	-	6,842	-
7010	Other income	6(20)	178,784	6	50,524	2
7020	Other gains and losses	6(21)	16,643	-	18,236	1
7050	Finance costs	6(22), 7(2)	( 22,184)	( 1)	( 25,187)	( 1)
7000	Total non-operating income		<u>176,396</u>	<u>5</u>	<u>50,415</u>	<u>2</u>
7900	<b>Pretax profit (loss)</b>		<u>113,789</u>	<u>3</u>	<u>( 41,352)</u>	<u>( 2)</u>
7950	Income tax expense	6(25)	( 6,097)	-	( 2,026)	-
8200	<b>Net profit (loss)</b>		<u>\$ 107,692</u>	<u>3</u>	<u>( \$ 43,378)</u>	<u>( 2)</u>
	<b>Other comprehensive income (net)</b>					
	<b>Items that will not be reclassified to profit or loss</b>					
8311	Measure on defined benefit plans	6(15)	\$ 6,699	-	\$ 1,515	-
8316	Unrealized gains and losses on valuation of investment in equity instruments measured at fair value through other comprehensive income	6(6)				
			( 20,954)	-	4,920	-
8349	Income tax related to components that are not reclassified subsequently to profit or loss	6(25)	<u>3,146</u>	<u>-</u>	<u>( 1,251)</u>	<u>-</u>
8310	Total items that will not be reclassified to profit or loss		<u>( 11,109)</u>	<u>-</u>	<u>5,184</u>	<u>-</u>
	<b>Items that may be reclassified to profit or loss</b>					
8361	Exchange difference arising from translation of foreign operation financial statements		<u>38,064</u>	<u>1</u>	<u>( 18,926)</u>	<u>-</u>
8300	<b>Other comprehensive income (net)</b>		<u>\$ 26,955</u>	<u>1</u>	<u>( \$ 13,742)</u>	<u>-</u>
8500	<b>Total comprehensive income</b>		<u>\$ 134,647</u>	<u>4</u>	<u>( \$ 57,120)</u>	<u>( 2)</u>
	Net profit (loss) attributable to:					
8610	Owners of the parent company		\$ 106,924	3	( \$ 44,431)	( 2)
8620	Non-controlling interests		768	-	1,053	-
	Total		<u>\$ 107,692</u>	<u>3</u>	<u>( \$ 43,378)</u>	<u>( 2)</u>
	Total comprehensive income attributable to:					
8710	Owners of the parent company		\$ 133,631	4	( \$ 58,173)	( 2)
8720	Non-controlling interests		1,016	-	1,053	-
	Total		<u>\$ 134,647</u>	<u>4</u>	<u>( \$ 57,120)</u>	<u>( 2)</u>
	Earnings (losses) per share	6(26)				
9750	Basic earnings (losses) per share		<u>\$ 0.82</u>		<u>( \$ 0.34)</u>	
9850	Diluted earnings (losses) per share		<u>\$ 0.76</u>		<u>( \$ 0.34)</u>	

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

Chairman: Yeh, Po-Yu

Manager: Kuo, Cheng-Pei

Chief Accountant: Pan, Li-Che

**HONMYUE ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Equity**  
**From January 1 to December 31, 2024 and 2023**

(In Thousands of New Taiwan Dollars)

		Equity Attributable to Owners of the Parent											
		Capital Surplus			Retained Earnings			Other Equity Interest					
	Notes	Share capital - common stock	Treasury stock transactions	Employ stock option	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences from translating foreign operating financial statements	Unrealized gains or losses on financial assets at fair value through other comprehensive income	Total	Non-controlling interest	Total equity	
Year ended December 31, 2023													
Balance at January 1, 2023		\$1,298,970	\$ 5,887	\$ 44,848	\$ 231,804	\$ 182,752	\$ 419,140	(\$ 34,792 )	(\$ 33,377 )	\$2,115,232	\$ 21,640	\$2,136,872	
Net loss		-	-	-	-	-	( 44,431 )	-	-	( 44,431 )	1,053	( 43,378 )	
Other comprehensive income		-	-	-	-	-	1,212	( 18,926 )	3,972	( 13,742 )	-	( 13,742 )	
Total comprehensive income		-	-	-	-	-	( 43,219 )	( 18,926 )	3,972	( 58,173 )	1,053	( 57,120 )	
Earnings allocation and distribution in 2022		6(18)											
Legal reserve		-	-	-	7,514	-	( 7,514 )	-	-	-	-	-	
Cash dividends		-	-	-	-	-	( 51,959 )	-	-	( 51,959 )	-	( 51,959 )	
Increase in non-controlling interests		4(3)	-	-	-	-	( 1,087 )	-	-	( 1,087 )	7,572	6,485	
Decrease in non-controlling interests			-	-	-	-	-	-	-	-	( 1,098 )	( 1,098 )	
Balance at December 31, 2023			\$1,298,970	\$ 5,887	\$ 44,848	\$ 239,318	\$ 182,752	\$ 315,361	(\$ 53,718 )	(\$ 29,405 )	\$2,004,013	\$ 29,167	\$2,033,180
Year ended December 31, 2024													
Balance at January 1, 2024			\$1,298,970	\$ 5,887	\$ 44,848	\$ 239,318	\$ 182,752	\$ 315,361	(\$ 53,718 )	(\$ 29,405 )	\$2,004,013	\$ 29,167	\$2,033,180
Net profit			-	-	-	-	106,924	-	-	106,924	768	107,692	
Other comprehensive income			-	-	-	-	5,359	37,816	( 16,468 )	26,707	248	26,955	
Total comprehensive income			-	-	-	-	112,283	37,816	( 16,468 )	133,631	1,016	134,647	
Increase in non-controlling interests		4(3)	-	-	-	-	-	-	-	-	6,737	6,737	
Decrease in non-controlling interest			-	-	-	-	-	-	-	-	( 1,256 )	( 1,256 )	
Balance at December 31, 2024			\$1,298,970	\$ 5,887	\$ 44,848	\$ 239,318	\$ 182,752	\$ 427,644	(\$ 15,902 )	(\$ 45,873 )	\$2,137,644	\$ 35,664	\$2,173,308

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

Chairman: Yeh, Po-Yu

Manager: Kuo, Cheng-Pei

Chief Accountant: Pan, Li-Che

HONMYUE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

From January 1 to December 31, 2024 and 2023

(In Thousands of New Taiwan Dollars)

	<u>Notes</u>	<u>From January 1 to December 31, 2024</u>	<u>From January 1 to December 31, 2023</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Pretax profit (loss)		\$ 113,789	(\$ 41,352 )
Adjustments			
Adjustments to reconcile profit(loss)			
Depreciation expense (investment properties and right-of-use assets)	6(21)(23)	102,251	97,494
Amortization expense	6(23)	1,757	2,977
Reversal of expected credit loss recognized in profit or loss	712(2)	( 67 )	( 4,828 )
Net gain on financial assets or liabilities at fair value through profit or loss	6(2)(21)	3,015	832
Gain on disposal or retirement of property, plant and equipment	6(21)	( 1,115 )	( 8,600 )
Gain on tangible asset	6(21)	-	( 19,340 )
Interest expense	6(22)	22,184	25,187
Interest income		( 3,153 )	( 6,842 )
Dividend income	6(20)	( 40 )	( 220 )
Compensation income	6(20)	( 101,317 )	( 1,891 )
Government grant income	6(20)	( 25,555 )	-
Benefit from lease modification	6(9)	-	( 10 )
Gain on disposal of investments	6(21)	( 4,043 )	( 2,580 )
Unrealized foreign exchange loss (gain)		( 6,133 )	9,458
Changes in operating assets and liabilities			
Changes in operating assets, net			
Notes receivable - net		( 397 )	( 7,697 )
Notes receivable - related party, net		( 1,033 )	76
Accounts receivable		( 67,342 )	( 128,667 )
Accounts receivable - related parties		1,704	23,769
Other receivables		( 6,117 )	13,916
Inventories		10,525	( 62,993 )
Prepayments		( 41,561 )	( 5,573 )
Other current assets		( 782 )	1,497
Other non-current assets		2,454	2,183
Liabilities net change related to operating activities			
Contract liabilities - current		25,351	209
Notes payable		5,651	( 30,073 )
Accounts payable		13,851	61,078
Other payables		42,268	( 12,462 )
Other current liabilities		( 5,455 )	4,234
Other non-current liabilities		1,538	( 374 )
Cash inflow from operating activities		82,228	( 90,592 )
Interest received		40	220
Dividends received		3,409	7,249
Interest paid		( 14,021 )	( 17,038 )
Income tax refunded		10	1,619
Income tax paid		( 3,080 )	( 30,880 )
Net cash flows from operating activities		68,586	( 129,422 )

(Continued)

**HONMYUE ENTERPRISE CO., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**From January 1 to December 31, 2024 and 2023**

(In Thousands of New Taiwan Dollars)

	<u>Notes</u>	<u>From January 1 to December 31, 2024</u>	<u>From January 1 to December 31, 2023</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Acquisition of financial assets at fair value through profit or loss		( \$ 16,054 )	( \$ 22,110 )
Disposal of financial assets at fair value through profit or loss		18,884	17,729
Acquisition of financial assets at amortized cost		( 4,756 )	( 2,162 )
Disposal of financial assets at amortized cost		2,246	300
Acquisitions of property, plant and equipment	6(27)	( 101,690 )	( 97,339 )
Disposal of property, facility and equipment		2,616	20,006
Acquisition of intangible assets		( 3,333 )	( 4,881 )
Gain on disposal of tangible assets		-	26,462
Decrease in refundable deposits		2,648	335
Deposals of investments accounted for using equity method	6(7)	114	-
Decrease in other receivables		15,255	-
Receipt of compensations	6(20)	39,996	91,494
Acquisition of grants		25,032	-
Net cash outflow from investing activities		( 19,042 )	29,834
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Increase in short-term borrowings		1,341,589	823,059
Decrease in short-term borrowings		( 1,192,340 )	( 721,630 )
Increase in short-term notes and bills payables		210,000	270,000
Decrease in short-term notes and bills payables		( 240,000 )	( 240,000 )
Lease principal repayment	6(28)	( 2,216 )	( 1,699 )
Repayments of long-term borrowings	6(28)	( 153,999 )	( 170,667 )
Increase (decrease) in guaranteed deposits received	6(28)	3,531	( 5,362 )
Cash dividends paid	6(28)	( 1,256 )	( 53,057 )
Changes in non-controlling interests		6,737	-
Net Cash outflow from financing activities		( 27,954 )	( 99,356 )
Effects of foreign exchange rates		( 3,048 )	85
Increase (decrease) in cash and cash equivalents		18,542	( 199,029 )
Cash and cash equivalents, beginning of period		431,458	630,487
Cash and cash equivalents, end of period		<u>\$ 450,000</u>	<u>\$ 431,458</u>

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

Chairman: Yeh, Po-Yu

Manager: Kuo, Cheng-Pei

Chief Accountant: Pan, Li-Che

## HONMYUE ENTERPRISE CO., LTD. AND SUBSIDIARIES

### Consolidated Financial Statement Notes December 31, 2024 and 2023

(In Thousands of New Taiwan Dollars unless otherwise specified)

#### 1. The History of the Company

Established in September 1970, Honmyue Enterprise Co., Ltd. (hereafter referred to as "the Company") and its subsidiaries (hereafter collectively referred to as "the Group") mainly engage in the manufacturing, trading, domestic and international sales of various wool, silk, and synthetic fiber textiles.

#### 2. Approval date and procedures of the consolidated financial statements

The consolidated financial statements were released on March 10, 2025, following approval by the Board of Directors.

#### 3. Application of Newly Released and Revised Standards and Interpretations

##### (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards(IFRS) as endorsed by the Financial Supervisory Commission(FSC).

New standards, interpretations and amendments endorsed by the FSC effective from 2024 are as follows:

<u>New standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board("IASB")</u>
Amendments to IFRS 16 "Lease Liability in Sale and Leaseback"	January 1, 2024
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants	January 1, 2024
Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"	January 1, 2024

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.



(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group.

New standards, interpretations and amendments endorsed by the FSC effective from 2025 are as follows:

<u>New standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(3) IFRS IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FCS are as follows:

<u>New standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
Amendments to IFRS 9 and IFRS 7 “Classification and Measurement of Financial Instruments”	January 1, 2026
Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”	January 1, 2026
Amendments to IFRS 10 and IAS 28, “Sale or contribution of assets between an investor and its associate or joint venture”	To be determined by IASB
IFRS 17, “Insurance contracts”	January 1, 2023
Amendments to IFRS 17, “Insurance contracts”	January 1, 2023
Amendments to IFRS 17, “Initial application of IFRS 17 and IFRS 9 – comparative information”	January 1, 2023
IFRS 18 “Presentation and Disclosure in Financial Statements”	January 1, 2027
IFRS 19 “Subsidiaries without Public Accountability”	January 1, 2027
Annual Improvements to IFRS Accounting Standards—Volume 11	January 1, 2026

Except for those explained as follows, the above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment. Amounts of relevant effects will be disclosed after completion of assessment:

**A. Amendments to IFRS 9 and IFRS 7 “Classification and Measurement of Financial Instruments”**

The amendments are explained as follows respectively:

The amendments update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI), which requires an entity to disclose the fair value information on equity instruments designated at FVOCI on a category basis, instead of target by target. Besides, in the gain or loss presented in other comprehensive income during the period, the fair value gain or loss that relates to investments derecognized in the period and the fair value gain or loss that relates to investments held at the end of the period shall be presented separately, as well as the accumulated gains or losses transferred to equity during the period for derecognition of investments during the reporting period.

**B. IFRS 18 “Presentation and Disclosure in Financial Statements”**

IFRS 18 “Presentation and Disclosure in Financial Statements” will replace IAS 1, and update the structure of statements of comprehensive income, increase the disclosure of management-defined performance measures, and enhance guidance on the principles of aggregation and disaggregation in the primary financial statements or in the notes.

#### **4. Summary of Significant Accounting Policies**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

**(1) Compliance statement**

The consolidated financial statements of the Group have been prepared in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC with the effective dates (collectively referred herein as the “IFRSs”)

**(2) Basic of preparation**

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
- (a) Financial assets at financial liabilities (including derivative instruments) at fair value through profit or loss.
  - (b) Financial assets at fair value through other comprehensive income.
  - (c) Define benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRSs require the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The area involving a higher degree of judgement or complexity, or areas where assumption and estimates are significant to the consolidated financial statements are disclosed in Note 5.

### (3) Basis of consolidation

#### A. Basis for preparation of consolidated financial statement:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidated of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group lose control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group were eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Components of profit or loss and other comprehensive income are attributed to the owners of the parent and to non-controlling interests; the total comprehensive income is also attributed to the owners of the parent and to non-controlling interests, even if this results in a deficit in the non-controlling interests.
- (d) Changes in ownership interest in a subsidiary that do not result in loss of control (transactions with non-controlling interests) are accounted for as equity transactions, i.e. as transactions with the owners of the parent. The difference between the adjustment to the non-controlling interest and the fair value of the consideration paid or received is recognized directly in equity.
- (e) When the Group loses control of subsidiaries, the Group measures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of the subsidiary, all gains or losses previously recognized in other comprehensive income relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

#### B. Subsidiaries included in the consolidated financial statements:

<u>Investor</u>	<u>Subsidiary</u>	<u>Nature of Business</u>	<u>Percentage of Ownership</u>		<u>Notes</u>
			<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>	
The Company	Hongyu Holding L.L.C.	Re-investment	100%	100%	
The Company	Wenfa Development L.L.C.	Professional Investment and Medical equipment retail	100%	100%	
The Company	Utex Innovation Co., LTD.	High-end woven fabric dyeing, finishing, and processing.	90%	90%	(2)
The Company	Jiujiang Deyu Textile Technology Co., Ltd.	High-end woven fabric dyeing, finishing, and processing.	100%	100%	(1)
Hongyu Holding L.L.C.	Hongyu Textile Zhejiang Co., Ltd.	Manufacturing and selling silk fiber products and finishing processes.	100%	100%	
Wenfa Development L.L.C.	Nuwa Enterprise Co., Ltd.	Outsourced processing and sales of finished fabrics.	70%	70%	
Hongyu Textile Zhejiang Co., Ltd.	Jiujiang Hongzhi Textile Technology Co., Ltd.	High-end woven fabric dyeing, finishing, and processing.	70%	70%	(3)

Due to the overall operational development needs of the Group:

- (a) Investment in Jiujiang Deyu Textile Technology Co., Ltd. :
  - i. Total of RMB 35,000 thousand (equivalent to NT\$109,250 thousand and NT\$45,480 thousand, respectively, based on the exchange rate at the time of the transaction) was remitted for investment in Jiujiang Deyu Textile Technology Co., Ltd. in January and July 2024
  - ii. As of December 31, 2024, the accumulated investment amount was RMB 150,000 thousand.
- (b) Investment in Utex Innovation Co., LTD.
  - i. On March 24, 2023, Utex Innovation Co., Ltd. resolved at the board of directors meeting to carry out a capital reduction to offset losses amounting to NT\$60,000 thousands, resulting in a decrease of NT\$52,000 thousands in investment.
  - ii. On March 24, 2023 and May 12, 2023, Utex Innovation Co., Ltd. and the Board of Directors of the Group respectively passed a resolution to increase capital by NT\$30,000 thousand. As the Group subscribed to the full amount of NT\$30,000 thousand, its shareholding percentage increased to 90%, resulting in the retained earnings decreased by NT\$1,087 thousand.
- (c) Investment in Jiujiang Hongzhi Textile Technology Co., Ltd.
  - i. Hongyu Textile (Zhejiang) Co., Ltd. remitted a total of RMB 3,500 thousand in investment funds in December 2023 to invest in Jiujiang Hongzhi Textile Technology Co., Ltd.
  - ii. Hongyu Textile (Zhejiang) Co., Ltd. remitted a total of RMB 3,500 thousand in investment funds in March 2024 to invest in Jiujiang Hongzhi Textile Technology Co., Ltd.
  - iii. Hongyu Textile (Zhejiang) Co., Ltd. remitted RMB 1,500 thousand, RMB 2,000 thousand, RMB 2,000 thousand, and RMB 1,000 thousand, respectively, as prepayments for investments in March, June, August, and December 2024 to Jiujiang Hongzhi Textile Technology Co., Ltd.

C. Subsidiaries not included in the consolidated financial statements:

None

D. Adjustments for subsidiaries with different balance sheet dates:

None

E. Significant restrictions:

None

F. Subsidiaries with non-controlling interests that are material to the Group:

None

#### (4) Foreign Currency Translation

Items enlisted in the financial statements of each entity within the Group are presented in the currency of the primary economic environment in which the entity operates (the functional currency”). The consolidated financial statements are presented in the functional currency of the Group, which is the New Taiwan Dollar.

A. Foreign Currency Transactions and Balances:

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured.

Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

- (b) Monetary assets and liabilities denominated in foreign currencies at the end of the period are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the consolidated balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the consolidated balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using historical exchange rates at the dates of the initial transactions.
- (d) Foreign exchange gains and losses are presented in the consolidated statements of comprehensive income within “other gains and losses”.

**B. Foreign Operation Translation**

- (a) For all individual companies, related enterprises, and joint agreements whose functional currencies are different from the reporting currencies, the operating results and financial positions are converted into the reporting currencies using the following methods:
  - i. Assets and liabilities presented in each balance sheet are converted using the closing exchange rate on the balance sheet date
  - ii. Revenues and expenses presented in each income statement are converted using the average exchange rate for the period
  - iii. All translation differences arising from translation are recognized in other comprehensive income
- (b) Translation differences of net investments in foreign operations are recognized in other comprehensive income.
- (c) When a partial disposal or sale of foreign operations occurs, the translation differences under other comprehensive income are proportionally reclassified to profit or loss as a component of the gain or loss on disposal

**(5) The Classification Criteria for Current and Non-current Assets and Liabilities**

A. Assets that meet one of the following criteria are classified as current assets; otherwise, they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes.
- (c) Assets that are expected to be realized within twelve months from the balance sheet date.
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

The group will classify all assets that do not meet the above criteria as non-current.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise,

they are classified as non-current liabilities:

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) The Group does not have the right to defer settlement of the liability for at least twelve months after the reporting period.

The group will classify all liabilities that do not meet the above criteria as non-current.

(6) Cash Equivalents

Cash equivalents refer to short-term investments that are highly liquid and can be converted into a fixed amount of cash at any time, with minimal risk of value fluctuations. Time deposits that meet the aforementioned criteria and are held for the purpose of fulfilling short-term cash commitments in operations are classified as cash equivalents.

(7) Financial Assets at Fair Value through Profit or Loss

- A. Refers to financial assets that are not measured at amortized cost or measured at fair value through other comprehensive income.
- B. Trade-date accounting for financial assets measured at fair value through profit or loss that meet customary trading criteria is used by the Group.
- C. The group measures financial assets at fair value upon initial recognition, and recognizes transaction costs in profit or loss. Subsequently, any gains or losses on these financial assets are recognized in profit or loss.
- D. The Group recognizes dividend income in profit or loss when the right to receive dividends is established, and the economic benefits related to dividends are likely to flow in, and the amount of dividends can be reliably measured.

(8) Financial Assets Measured at Amortized Cost

- A. Refers to financial assets that meet both of the following conditions:
  - (a) Assets held under a business model whose objective is to collect contractual cash flows.
  - (b) The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- B. Trade date accounting to financial assets measured at amortized cost that meet trading customary trading criteria is used by the Group.
- C. The Group holds short-term fixed deposits that do not qualify as cash equivalents and are measured at cost due to the short-term nature of the deposits and the immateriality of the effect of discounting.

(9) Financial Assets Measured at Fair Value through Other Comprehensive Income

- A. Refers to a non-revocable choice made at the initial recognition to report the fair value changes of equity instruments that are not held for trading in other comprehensive income, or to debt instrument investments that meet both of the following conditions:
  - (a) Assets held under a business model whose objective is to collect contractual cash flows and to sell the asset.
  - (b) The contract terms of the financial asset give rise to cash flows on specific dates, consisting entirely of the repayment of the principal and the payment of interest on the outstanding principal.

- B. Trade date accounting to financial assets measured at fair value through other comprehensive income that meets customary trading criteria is used by the Group.
- C. When initially recognized, the Group measures equity instruments at their fair value plus transaction costs, and subsequently measures them at fair value:  
The fair value changes of equity instruments are recognized in other comprehensive income and are not reclassified to profit or loss when derecognized. Instead, they are transferred to retained earnings. When the right to receive dividends is established and the economic benefits related to dividends are likely to flow to the Group, and the dividend amount can be reliably measured, the Group recognizes dividend income in profit or loss.

(10) Accounts and Notes Receivable

- A. Refer to the accounts and notes receivable that represent the right to receive payment for the consideration received from the transfer of goods or services, without any conditions attached.
- B. For short-term accounts and notes receivable without interest, the impact of discounting is not significant, the Group measures them at the original invoice amount.

(11) Impairment of Financial Asset

The Group measures its financial assets at amortized cost on each balance sheet date, taking into consideration all reasonable and supportable information (including forward-looking information) related to credit risk, and recognizes an allowance for expected credit losses based on a 12-month expected credit loss amount for financial assets for which the credit risk has not increased significantly since initial recognition, and based on the lifetime expected credit loss amount for financial assets for which the credit risk has increased significantly since initial recognition. For trade receivables that do not contain a significant financing component, the Group recognizes an allowance for expected credit losses based on the lifetime expected credit loss amount.

(12) Derecognition of Financial Assets

When the Group's contractual rights to receive cash flows from a financial asset have expired, the financial asset is derecognized.

(13) Operating Leases - Lease Transactions of the Lessor

The lease income from operating leases, which is not contingent on any incentives granted to the lessee, is recognized on a straight-line basis as an expense in the statement of comprehensive income over the lease term.

(14) Inventories

Inventory is accounted for using the perpetual inventory system, with costs calculated using the weighted average method. Fixed manufacturing overhead is allocated based on the normal production capacity of the equipment, while any unallocated fixed manufacturing overhead is recognized as cost of goods sold in the period incurred. Inventory is measured at the lower of cost or net realizable value at the end of each period, with a comparison of the cost and net realizable value made using the individual-item approach. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

(15) Investments in Equity Method - Associated Companies

- A. An associated company refers to an entity in which the Group has significant influence but does not have control, typically through direct or indirect ownership of more than 20% of the voting rights. The Group accounts for its investment in associated companies using the equity method and recognizes the investment at cost upon acquisition.

- B. The Group recognizes its share of profit or loss of an associate in the income statement and its share of other comprehensive income of an associated company in other comprehensive income after its acquisition. If the Group's share of losses in an associate equal or exceeds its interest in that associate (including any other receivable that is not secured), the Group does not recognize further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When there is an equity change in the associated company that is not related to profit or loss and does not affect the shareholding percentage in the associated company, the Group will recognize the equity change attributed to the Group's interest in the associated company in proportion to its shareholding as "Capital Surplus".
- D. Unrealized gains and losses resulting from transactions between the Group and its associates have been eliminated based on their respective ownership interests in the associates, unless there is evidence that the transferred assets have been impaired. The associates' accounting policies have been adjusted as necessary to conform to the accounting policies used by the Group.
- E. When the Group disposes of an associated enterprise and loses significant influence over it, all amounts previously recognized in other comprehensive income related to that associated enterprise shall be accounted for in the same manner as the disposal of assets or liabilities directly related to the Group's disposal, that is, any previously recognized gains or losses in other comprehensive income will be reclassified as income when the assets or liabilities are disposed of. If the group still has significant influence over the associated enterprise, the amounts previously recognized in other comprehensive income shall be reclassified proportionally in the manner described above.

(16) Property, Plant and Equipment

- A. Property, plant, and equipment are recorded at acquisition cost and interest related to the acquisition or construction period is capitalized.
- B. Subsequent costs are only included in the carrying amount of an asset or recognized as a separate asset if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of a replaced part should be derecognized. All other maintenance costs are recognized in profit or loss when incurred.
- C. Property, plant, and equipment are measured at cost model subsequently. They are depreciated using the straight-line depreciation method based on the estimated useful life, except for land, which is not depreciated. If a component of property, plant, and equipment is significant, it is separately depreciated.
- D. The Group reviews the residual value, useful life, and depreciation method of each asset at the end of each financial year. If the expected residual value and useful life are different from previous estimates, or there has been a significant change in the expected consumption pattern of the future economic benefits of the asset, then the accounting estimates are adjusted in accordance with International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors" from the date of the change. The useful life of each asset is as follows:
  - Buildings and structures: 2 to 50 years
  - Machinery and equipment: 2 to 20 years
  - Transportation equipment: 2 to 10 years
  - Office equipment: 3 to 10 years
  - Other assets: 2 to 20 years



(17) Leases - Right-of-Use Assets / Lease Liabilities for Lessees

- A. When a leased asset becomes available for use by the Group, it is recognized as a right-of-use asset and a lease liability. For short-term leases or leases of low-value assets, lease payments are recognized as expenses on a straight-line basis over the lease term.
- B. The lease liability is recognized on the lease commencement date as the present value of the remaining lease payments not yet paid, discounted at the incremental borrowing rate of the Group. Lease payments include fixed payments, net of any lease incentives that may be receivable.

The subsequent measurement is based on the effective interest rate method and is measured using the amortized cost method. Interest expense is recognized during the lease term. When there is a change in the lease term or lease payments caused by a non-contractual modification, the lease liability is re-measured, and the re-measurement amount is adjusted to the right-of-use asset.

- C. The right-of-use asset is recognized at cost on the lease commencement date, which includes:
  - (a) The initial measurement of the lease liability.
  - (b) Lease payments made at or before the commencement date.
  - (c) Initial direct costs incurred; andSubsequently, the right-of-use asset is measured using the cost model, and depreciation expense is recognized over the asset's useful life or the lease term, whichever is shorter. When the lease liability is remeasured, the right-of-use asset is adjusted for any revaluation amount of the lease liability.
- D. For lease modifications that result in a reduction in the lease scope, the lessee shall reduce the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize the difference between it and the amount of the lease liability remeasurement in profit or loss.

(18) Intangible Assets

- A. Computer software is recognized at cost and is amortized on a straight-line basis over its estimated useful life of 2 to 5 years.
- B. Pollution rights are recognized at cost and are amortized on a straight-line basis over their useful life of 20 years.

(19) Impairment of Non-financial Assets

The Group assesses at each balance sheet date, whether there are any indicators of impairment for its assets, and estimates their recoverable amounts. If the recoverable amount is lower than the carrying amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For assets that were previously impaired, if the circumstances that led to the impairment no longer exist or have improved, the impairment loss is reversed. However, the carrying amount of an asset after impairment reversal cannot exceed what the carrying amount would have been if no impairment loss had been recognized, net of any depreciation or amortization.

(20) Borrowings

The term "borrowings" refers to long-term or short-term funds borrowed from banks. The Group initially measures these borrowings at fair value less transaction costs. Subsequently, any differences between the carrying amount of the liability and the redemption amount are recognized as interest expense over the borrowing term using the effective interest method, which amortizes the difference between the proceeds and the redemption value over the period of the borrowing as a finance cost in the income statement.

- (21) Accounts Payable and Notes Payable
- A. Refers to liabilities incurred for the purchase of raw materials, goods, or services and for operating and non-operating expenses payable by notes.
  - B. Accounts payable and notes payable are short-term liabilities that do not have a significant impact from discounting, and are measured at their original invoice amounts by the Group.
- (22) Convertible Bonds Payable
- Convertible bonds payable issued by the Group contain embedded conversion options (the bondholders have the right to convert the bonds into a fixed number of ordinary shares of the Group) as well as call options. The initial issuance price is classified as a financial asset, financial liability, or equity based on the terms of the issue. The approach taken in accounting for this is as follows:
- A. Embedded call options are initially recognized at their fair value net of any transaction costs as "financial assets or liabilities at fair value through profit or loss". Subsequently, at each balance sheet date, they are measured at their fair value, and any changes are recognized in "gain or loss on financial assets or liabilities at fair value through profit or loss".
  - B. The main contract of the corporate bond is initially measured at fair value, and any difference between the redemption amounts is recognized as the discount on payables. Subsequently, the effective interest method is used to amortize the discount over the term of the bond, and the interest expense is recognized as an adjusting item of "financial costs" in the income statement.
  - C. The embedded conversion option (qualifying as equity) is initially recognized at the issuance date by deducting the fair value of the "financial asset or liability at fair value through profit or loss" and "payable bonds" from the issuance proceeds, and the remaining value is recorded as "capital surplus - stock options". Subsequently, no re-measurement is made.
  - D. The direct transaction costs incurred in the issuance are allocated to the respective components of liabilities and equity in proportion to their respective initial carrying amounts as described above.
  - E. When the holder exercises their right to convert, the liability component (including "payable convertible bonds" and "financial assets or liabilities measured at fair value through profit or loss") is processed according to its subsequent measurement method classification, and the carrying amount of the liability component is added to the carrying amount of "capital surplus - stock subscription rights" to calculate the issuance cost of the exchanged common shares.
- (23) De-recognition of Financial Liabilities
- The financial liabilities shall be derecognized by the Company upon the fulfillment, cancellation, or expiration of the obligations specified in the contract.
- (24) Offset of Financial Assets and Liabilities
- When there is a legally enforceable right to offset the recognized amounts of financial assets and liabilities, and the intention to settle the asset and discharge the liability on a net basis or simultaneously, the financial assets and financial liabilities may be offset and presented on a net basis in the balance sheet.
- (25) Employee Benefits
- A. Short-term Employee Benefits
 

Short-term employee benefits are measured at the undiscounted amount of expected payment and recognized as an expense when the related service is provided.
  - B. Pensions
    - (a) Defined Contribution Plan
 

For a defined contribution plan, the amount of pension contribution that should be provided is recognized as the current period's pension cost based on the principle of liability incurred. Prepaid contributions are recognized as assets within the scope of refundable cash or reduced future payment.

(b) Defined Benefit Plan

- i. The net obligation of defined benefit plans is measured by discounting the future benefit amounts earned by employees for services rendered in the current or prior periods, and reducing it by the fair value of plan assets at the balance sheet date. The net obligation of the defined benefit plan is calculated annually using the projected unit credit method by an actuary, and the discount rate is based on the market yield of government bonds (at the balance sheet date) that have the same currency and maturity as the benefit obligation of the defined benefit plan.
- ii. The remeasurements of defined benefit plans are recognized in other comprehensive income in the period in which they arise and are presented in retained earnings.
- iii. The related expenses of prior service cost are recognized immediately in profit or loss.

C. Severance Benefits

Severance benefits are benefits provided to employees upon termination of their employment prior to their normal retirement date or when employees accept a company offer to terminate their employment in exchange for benefits. The Group recognizes the expense of severance benefits when it is no longer able to withdraw from the offer of such benefits or when the recognition of related restructuring costs is earlier. Severance benefits that are not expected to be settled in full within 12 months after the balance sheet date should be discounted.

D. Employee, Director and Supervisor's Compensation

Employees', directors', supervisors' compensation are recognized as expenses and liabilities when there is a legal or constructive obligation and the amount can be reasonably estimated. Any difference between the estimated and actual amounts distributed by the Board of Directors is recognized as an accounting estimate change. In the case of stock-based employee compensation, the number of shares is calculated based on the closing price on the day prior to the Board of Directors' decision.

(26) Income Taxes

- A. The income tax expense includes current and deferred taxes. Except for income taxes related to items recognized in other comprehensive income or directly in equity, income taxes are recognized in income.
- B. The Group calculates current income tax based on the legislated tax rates in the countries where it operates and generates taxable income as of the balance sheet date. The management assesses the status of income tax filings in accordance with applicable tax laws and estimates the income tax liabilities based on the expected tax payments to tax authorities, as appropriate. The undistributed earnings are subject to income tax in accordance with the income tax law, and income tax expenses on undistributed earnings are recognized only after the annual general meeting approves the distribution of the actual earnings in the following year.
- C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, and does not generate equal taxable and deductible temporary differences. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
- D. Deferred tax assets are recognized for temporary differences that are very likely to be utilized to

offset future taxable income within the scope of recognition. These deferred tax assets are re-evaluated at each balance sheet date for amounts not recognized and already recognized.

- E. When there is a legal right to offset the recognized current income tax assets and liabilities and there is an intention to settle the net amount or simultaneously realize assets and settle liabilities on a net basis, then the current income tax assets and liabilities shall be offset. If there is a legal right to offset the current income tax assets and liabilities and there is an intention to settle the net amount on a net basis or simultaneously realize the asset and settle the liability, and the deferred income tax assets and liabilities are levied on income tax by the same tax authority as the same taxpayer, the deferred income tax assets and liabilities shall be offset.

(27) Share Capital

Common stock is classified as equity. The net amount after deducting income tax directly attributable to the increase in cost of issuing new shares or stock options is recorded as a deduction from equity in the statement of financial position.

(28) Dividend

The dividends distributed to the shareholders of the Company are recognized in the financial statements when they are approved by the Company's shareholders' meeting. Cash dividends are recognized as liabilities.

(29) Revenue Recognition

Sales of goods

- A. The main business of the Group is the manufacturing, printing, dyeing, and processing of various cotton, wool, silk and synthetic fiber textiles for domestic and international sales. Revenue is recognized when control over the product is transferred to the customer, which occurs when the product is delivered to the customer. The customer has the discretion to determine the sales route and price of the product, and the Group has no remaining performance obligations that could affect the customer's acceptance of the product. When the product is shipped to the designated location, the risks of obsolescence, deterioration, and loss have been transferred to the customer, and the customer has accepted the product according to the sales contract, or there is objective evidence that all acceptance criteria have been met, the point of delivery has occurred.
- B. Sales revenue is recognized as net of estimated sales returns and allowances based on the contract price. Payment terms for sales transactions typically range from 30 to 120 days after shipment. As the time period between transferring goods or services to customers and their payment does not exceed one year, the Group does not adjust transaction prices to reflect the time value of money.
- C. The contract liability for customer prepayments in the sales contract of the Group is recognized as revenue when control of the product is transferred to the customer.

(30) Government Grants

Government grants are recognized at fair value when it is reasonably certain that the entity will comply with the conditions attached to the grant and that the grant will be received. If the nature of the government grant is to compensate the Group for expenses incurred, the grant is recognized as income in the statement of comprehensive income systematically on a basis consistent with the recognition of the related expenses.

(31) Operating Segments

The information of the operating segments of the Group provided to the primary operating decision-makers in the internal management report is reported consistently. The primary operating decision-makers are responsible for allocating resources to the operating segments and evaluating their performance.

## 5. Main Sources of Significant Accounting Judgments, Estimates, and Assumptions Uncertainty

When preparing the consolidated financial statements, the management of the Group has exercised judgment in determining the accounting policies to be adopted and has made accounting estimates and assumptions based on reasonable expectations of future events as of the date of the balance sheet. The significant accounting estimates and assumptions made may differ from actual results, and such estimates and assumptions will be continually evaluated and adjusted in consideration of historical experience and other factors. These estimates and assumptions have the potential to cause significant adjustments to the carrying amounts of assets and liabilities in the next financial year. Please see below for a detailed explanation of the main sources of significant accounting judgments, estimates, and assumptions uncertainties:

### Valuation of Inventory

Due to the inventory must be valued at the lower of cost or net realizable value, the Group needs to exercise judgment and estimation to determine the net realizable value of inventory as of the balance sheet date. The Group evaluates inventory as of the balance sheet date based on the amount that is expected to be realized from normal usage, obsolescence, or lack of market demand, and reduces the inventory cost to the net realizable value.

As of December 31, 2024, the carrying amount of inventory was NT\$870,865 thousand.

## 6. Explanation of Significant Accounting Items

### (1) Cash and Cash Equivalents

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Cash on Hand and Working Capital	\$ 1,331	\$ 1,377
Checking Deposits and Current Deposits	448,669	357,771
Time Deposits	-	72,310
Total	<u>\$ 450,000</u>	<u>\$ 431,458</u>
Interest Rate Range		
Time Deposit	<u>-</u>	<u>1.10%~5.50%</u>

A. The financial institutions with which the Group has transactions have good credit quality, and the Group deals with multiple financial institutions to diversify credit risk. The likelihood of default is expected to be very low.

B. Time deposits with original maturities exceeding three months and time deposits that are restricted and do not meet the criteria for being classified by the Group as short-term cash commitments as “financial assets measured at amortized cost.” The amounts as of December 31, 2024 and 2023 were NT\$16,056 thousand and NT\$13,462 thousand, respectively. .

### (2) Financial Assets at Fair Value through Profit or Loss - Current

<u>Current Assets:</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Financial Assets Mandatorily Measured at Fair Value through Profit or Loss		
Listed Company Stock	\$ 19,725	\$ 18,512
Convertible Bonds Redemption Rights	3,270	3,270
Revaluation Adjustments	<u>( 9,541)</u>	<u>( 6,526)</u>
Subtotal	<u>\$ 13,454</u>	<u>\$ 15,256</u>

A. Details of Financial Asset at Fair Value through Profit or Loss - current are recognized in the income statement as follows:

<u>2024</u>	<u>2023</u>
-------------	-------------

Financial assets mandatorily measured at fair value through profit or loss

(\$ 3,015) (\$ 832)

B. The Group did not pledge any of its financial assets at fair value through profit or loss - current.

(3) Accounts and Notes Receivable

	December 31, 2024	December 31, 2023
Notes Receivable	\$ 99,092	\$ 89,561
Accounts Receivable	\$ 594,724	\$ 516,335
Less: allowance for doubtful accounts	( 3,040)	( 2,985)
	<u>\$ 591,684</u>	<u>\$ 513,350</u>

A. The ageing analysis of notes receivable and accounts receivable are as follows:

	December 31, 2024		December 31, 2023	
	<u>Account Receivable</u>	<u>Note Receivable</u>	<u>Account Receivable</u>	<u>Note Receivable</u>
Not Overdue	\$ 526,927	\$ 99,092	\$ 494,218	\$ 89,561
1-90 days	62,454	-	18,560	-
91-180 days	2,282	-	1,459	-
Over 181 days	3,061	-	2,098	-
	<u>\$ 594,724</u>	<u>\$ 99,092</u>	<u>\$ 516,335</u>	<u>\$ 89,561</u>

The aging analysis is based on the number of days overdue.

- B. The balances of accounts receivable and notes receivable as of December 31, 2024 and 2023 were all generated from customer contracts. As of January 1, 2023, the balances of trade receivable and account receivable from customer contracts were NT\$395,275 thousand and NT\$76,085 thousand, respectively.
- C. Assuming no collateral or other credit enhancements, the maximum credit risk exposure of the Group's accounts receivable from promissory notes was NT\$99,092 thousand and NT\$89,561 thousand as of December 31, 2024 and 2023, respectively. The maximum credit risk exposure of the Group's accounts receivable was NT\$591,684 thousand and NT\$513,350 thousand as of December 31, 2024 and 2023, respectively.
- D. Related credit risk information on notes receivable and account receivable can be found in Note 12(2).

(4) Inventories

December 31, 2024				
	Cost	Allowance for Doubtful Accounts And Impairment Loss		Carrying amount
Raw Materials	\$ 237,508	(\$ 13,596)	\$	223,912
Material	3,670	-		3,670
Work in Process	139,414	( 1,694)		137,720
Finishing Goods	601,590	( 96,027)		505,563
Total	<u>\$ 982,182</u>	<u>(\$ 111,317)</u>	<u>\$</u>	<u>870,865</u>
December 31, 2023				
	Cost	Allowance for Doubtful Accounts And Impairment Loss		Carrying amount
Raw Materials	\$ 263,916	(\$ 15,143)	\$	248,773
Material	3,409	-		3,409

Work in Process	137,497	( 842)	136,655
Finishing Goods	<u>581,909</u>	<u>( 96,216)</u>	<u>485,693</u>
Total	<u>\$ 986,731</u>	<u>(\$ 112,201)</u>	<u>\$ 874,530</u>

The Inventory Cost Recognized by the Group as Expenses in the Current Period:

	<u>2024</u>	<u>2023</u>
Cost of Goods Sold	\$ 2,872,422	\$ 2,462,858
Inventory Write-Down and Reversal of Provisions for Inventory Obsolescence	( 2,527)	1,152
Inventory Loss	2,823	2,264
Sales of Scraps	( 18,952)	( 16,937)
Unamortized Fixed Manufacturing Overhead	<u>25,455</u>	<u>25,605</u>
	<u>\$ 2,879,221</u>	<u>\$ 2,474,942</u>

The inventory turnover benefit for the Group in 2024 refers to the increase in net realizable value of inventory due to the disposal of inventory previously written down for losses.

(5) Prepayments

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Advances to Suppliers	\$ 89,459	\$ 14,944
Deferred Tax Assets	81,643	120,015
Other Prepaid Expenses	<u>28,760</u>	<u>18,046</u>
	<u>\$ 199,862</u>	<u>\$ 153,005</u>

(6) Financial Assets at Fair Value through Other Comprehensive Income - Non-current

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Non-current Assets:		
Equity Instruments		
Non-publicly Traded Companies	\$ 96,423	\$ 96,423
Revaluation Adjustments of Financial Assets at Fair Value through Other Comprehensive Income	<u>( 52,739)</u>	<u>( 31,785)</u>
Total	<u>\$ 43,684</u>	<u>\$ 64,638</u>

A. The Group has chosen to classify its stock investments, which are strategic or held for stable dividend income, as financial assets at fair value through other comprehensive income. The fair values of these equity instruments were NT\$43,684 thousand and NT\$64,638 thousand as of December 31, 2024 and 2023, respectively.

B. Recognition of financial assets at fair value through other comprehensive income in profit or loss and comprehensive income are as follows:

	<u>2024</u>	<u>2023</u>
Financial Assets at Fair Value through Other Comprehensive Income - Equity Instruments		
Recognized in Other Comprehensive Income for Fair Value Changes	(\$ <u>16,468</u> )	\$ <u>3,972</u>
Recognized in Dividend Income in Profit or Loss Still Held at the End of the Period	\$ <u>40</u>	\$ <u>20</u>

C. The Group did not provide any pledge for the financial assets at fair value through other comprehensive income - non-current.

(7) Investments Accounted using the Equity Method

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Honglongfa Development	\$ -	\$ 128
Hongde Development	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 128</u>

Individually insignificant associates of the Group are presented below:

		<u>Shareholding %</u>	
<u>Company</u>	<u>Region</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Honglongfa Development Co., Ltd. (Note 1)	Taiwan	0.00%	37.50%
Hongde Development Co., Ltd. (Note 2)	Hong Kong	38.17%	38.17%

Note 1: The completion of liquidation has been approved by Taiwan Changhua District Court on May 9, 2024. The Group acquired NT\$114 thousand from the liquidation of investments accounted for using equity method, and recognized losses on disposal of investments amounting to NT\$14 thousand (presented as other gains and losses).

Note 2: The Group has recognized investment losses on associates up to the carrying amount of the investments accounted for using the equity method; therefore, no further losses are recognized.

(Intentionally left blank)



(8) Property, Plant, and Equipment

		2024						
		<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Transfer</u>	<u>Exchange Rate Impact</u>	<u>Ending Balance</u>	
Cost								
Land	\$	363,610	\$ -	\$ -	\$ -	\$ -	\$	363,610
Building		642,509	376	-	206,933	9,446		859,264
Machinery and Equipment		1,131,557	36,015	(8,285)	19,133	15,826		1,194,246
Transportation and Equipment		31,756	306	(566)	-	438		31,934
Office Equipment		14,856	181	(199)	-	136		14,974
Other Equipment		153,609	10,086	(1,560)	(11,980)	899		151,054
Leased Assets – Land and Building		118,102	-	-	12,489	4,684		135,275
Idle Assets		8,266	-	-	(5,343)	167		3,090
Construction in Progress/ Equipment under Testing		<u>247,349</u>	<u>25,169</u>	<u>-</u>	<u>(221,558)</u>	<u>7,858</u>		<u>58,818</u>
	\$	<u>2,711,614</u>	\$ <u>72,133</u>	\$ <u>(10,610)</u>	\$ <u>(326)</u>	\$ <u>39,454</u>	\$	<u>2,812,265</u>
Accumulated Depreciation								
Building and Construction	(\$	396,410)	(\$ 28,084)	\$ -	\$ -	(\$ 5,360)	(\$	429,854)
Machinery and Equipment	(	663,775)	( 54,275)	6,827	( 7,884)	( 9,524)	(	728,631)
Transportation and Equipment	(	24,898)	( 1,446)	566	( 144)	( 413)	(	26,335)
Office Equipment	(	10,483)	( 1,096)	199	( 22)	( 100)	(	11,502)
Other Equipment	(	120,077)	( 7,095)	1,517	1,281	( 461)	(	124,835)
Leased Assets – Land and Building	(	79,785)	( 6,468)	-	( 3,122)	( 3,173)	(	92,548)
Idle Assets	(	<u>7,448</u>	<u>-</u>	<u>-</u>	<u>9,659</u>	<u>(103)</u>		<u>2,108</u>
	(\$	<u>1,302,876</u>	(\$ <u>98,464</u> )	\$ <u>9,109</u>	(\$ <u>232</u> )	(\$ <u>19,134</u> )	(\$	<u>1,411,597</u> )
	\$	<u>1,408,738</u>					\$	<u>1,400,668</u>

		2023						
		<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Transfer</u>	<u>Exchange Rate Impact</u>	<u>Ending Balance</u>	
Cost								
Land	\$	363,610	\$ -	\$ -	\$ -	\$ -	\$	363,610
Building		738,857	136(	10,215)	( 81,682 )	( 4,587)		642,509
Machinery and Equipment		1,132,000	24,844(	296,318)	279,682	( 8,335)		1,131,557
Transportation and Equipment		35,341	780(	4,870)	746	( 241)		31,756
Office Equipment		14,676	1,275(	1,424)	402	( 73)		14,856
Other Equipment		161,248	3,452(	13,411)	2,878	( 558)		153,609
Leased Assets – Land and Building		38,612	-	-	81,682	( 2,192)		118,102
Idle Assets		103,592	-	-	( 94,917)	( 409)		8,266
Construction in Progress/ Equipment under Testing		384,416	49,073	-	( 180,874 )	( 5,266)		247,349
	\$	<u>2,972,352</u>	\$ <u>79,560</u>	<u>(\$ 326,238)</u>	<u>\$ 7,601</u>	<u>(\$ 21,661 )</u>	\$	<u>2,711,614</u>
Accumulated Depreciation								
Building and Construction	(\$	431,032)	(\$ 22,335)	\$ 2,127	\$ 51,889	\$ 2,941	(\$	396,410)
Machinery and Equipment	(	806,606)	( 49,120)	226,096	( 39,437)	5,292	(	663,775)
Transportation and Equipment	(	26,907)	( 2,287)	4,758	( 684)	222	(	24,898)
Office Equipment	(	10,695)	( 964)	1,353	( 229)	52	(	10,483)
Other Equipment	(	129,897)	( 6,668)	24,790	( 8,602)	300	(	120,077)
Leased Assets	(	23,607)	( 6,785)	-	( 50,867)	1,474	(	79,785)
Idle Assets	(	51,540)	( 6,111)	-	49,974	229	(	7,448)
	(\$	<u>1,480,284)</u>	(\$ <u>94,270)</u>	<u>\$ 259,124</u>	<u>\$ 2,044</u>	<u>\$ 10,510</u>	(\$	<u>1,302,876)</u>
		<u>\$ 1,492,068</u>						<u>\$ 1,408,738</u>

1.

- A. The Group reclassified the relevant leased assets for dyeing and finishing to buildings and structures and idle assets, respectively, in accordance with their nature, as the lease and use of such assets were ceased based on the local government's policy from December 2022. The relevant dyeing and finishing buildings and structures were rented out, thereby reclassified as rental assets based on their nature starting from August 2023.
- B. The transfer in 2023 is due to the transfer of prepaid equipment payment.

2. Please refer to Note 8 for details on information provided as collateral using real estate, factory buildings, and equipment.
3. The Group did not capitalize interest in 2024 and 2023.

(9) Lease Transactions - Lessee

- A. The assets leased by the Group include land, buildings, and machinery and equipment, and the lease terms typically range from 2 to 50 years. The lease agreements are individually negotiated and include various terms and conditions. There are no restrictions imposed other than that the leased assets may not be used as collateral for borrowings.
- B. The lease periods of the buildings leased by the Group do not exceed 12 months, and the underlying leased assets of low-value are forklifts.
- C. The information on the carrying amount of the right-of-use assets and the related depreciation expense is as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
	<u>Carrying Amount</u>	<u>Carrying Amount</u>
Land	\$ 64,054	\$ 64,604
Buildings	-	-
Transportation Equipment (Business Cars)	2,194	-
	<u>\$ 66,248</u>	<u>\$ 64,604</u>

	<u>2024</u>	<u>2023</u>
	<u>Depreciation Expense</u>	<u>Depreciation Expense</u>
Land	\$ 2,896	\$ 2,874
Buildings	-	341
Machinery equipment	-	9
Transportation Equipment (Business Cars)	891	-
	<u>\$ 3,787</u>	<u>\$ 3,224</u>

- D. The increase in right-of-use assets of the Group was NT\$3,483 thousand and NT\$0 thousand for the years ended 2024 and 2023, respectively.
- E. Information on income and expense items related to lease agreements is as follows:

	<u>2024</u>	<u>2023</u>
<u>Items affecting the current period income and expenses:</u>		
Interest Expense on Lease Liabilities	\$ 67	\$ 37
Expense Related to Short-term Lease Agreements	\$ 800	\$ 1,431
Lease Modification Gain/Loss	\$ -	\$ 10

F. The total cash outflows for lease payments of the Group in 2024 and 2023 were NT\$3,083 thousand and NT\$3,167 thousand, respectively.

G. The current and non-current balances of lease liabilities of the Group are as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Lease Liabilities - Current	\$ 2,432	\$ 1,260
Lease Liabilities - Non-current	\$ 2,329	\$ 2,623

(10) Short-term Borrowings

<u>Borrowings Nature:</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Unsecured Borrowings	\$ 290,061	\$ 181,804
Purchase Borrowings	171,458	41,567
Secured Borrowings	28,798	117,658
	<u>\$ 490,317</u>	<u>\$ 341,029</u>
Range of interest rates for borrowing from financial institutions:	<u>1.83%~3.30%</u>	<u>1.70%~7.28%</u>

A. Short-term loan of NT\$500 thousand was borrowed by Utex Innovation Co., Ltd. on December 31, 2023, with the Small and Medium Enterprise Credit Guarantee Fund as the guarantor, without substantial collateral. The loan is categorized based on the guaranteed regulations, with 75% or NT\$375 thousand as secured loan and 25% or NT\$125 thousand as unsecured loan.

B. Please refer to Note 8 for information on collateral provided for loans.

(11) Short-term Notes Payable

	<u>December 31, 2023</u>
Accounts Payable - Commercial Paper	\$ 30,000
Less: Discount on Accounts Payable - Commercial Paper	( 77)
	<u>\$ 29,923</u>
Interest Rate Range	<u>1.90%</u>

A. No such event occurred on December 31, 2024.

B. The above accounts payable commercial paper is guaranteed by Ta Ching Bills Finance Corporation.

(12) Other Payables

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Accrued Salaries Payable	\$ 74,254	\$ 67,546
Accrued Processing Fees Payable	34,836	21,072
Utilities Payable	18,195	11,832
Accounts Payable for Repairs and Maintenance	7,107	7,461
Accounts Payable for Construction and Equipment	3,141	4,927
Other	94,750	72,854
	<u>\$ 232,283</u>	<u>\$ 185,692</u>

(13) Bonds Payable

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Payable Corporate Bonds	\$ 300,000	\$ 300,000
Plus: Interest Compensation	4,408	2,886
Less: Discount on Payable Corporate Bonds	( 352)	( 7,166)
	304,056	295,720
Less: Current Portion	( 304,056)	-
	<u>\$ -</u>	<u>\$ 295,720</u>

- A. Domestic convertible corporate bonds issued by the Company.
- (a) The terms and conditions of the second unsecured convertible corporate bond issuance by the Company in the domestic market are as follows:
- i. The Company has been approved by the competent authority to raise and issue its second unsecured convertible corporate bonds in the domestic market. The total issuance amount is NT\$300,000 thousand, with a coupon rate of 0%, issued at 109.01% of par value, and a three-year maturity period. The circulation period runs from January 26, 2022 to January 26, 2025. The bonds will be redeemed at maturity at their face value plus 1.5075% interest compensation, payable in cash. The bonds were listed and traded on the Taipei Exchange (TPEX) on January 26, 2022.
  - ii. From three months after the issuance date of this convertible bond until the maturity date, the bondholders can request to convert this convertible bond into common stocks of the Company at any time, except for i) Suspension period of common shares transfer according to laws and regulations; ii) the period from fifteen business days before the ex-dividend date, ex-rights date or ex-bonus share date of the Company's stock until the record date; iii) the period from the reduction record date of the Company until the day before the start of trading of the new shares issued due to the reduction; iv) the period from the suspension of the conversion of stocks due to stock split to the day before the trading day of the new shares issued by the stock split. The bondholders can make the request through their securities broker and notify the Taiwan Depository & Clearing Corporation, which is the stock registrar of the Company, to convert the convertible bond into common stocks of the Company in accordance with this regulation. The rights and obligations of the common stocks obtained through the conversion shall be the same as those of the previously issued common stocks of the Company.
  - iii. The conversion price of this convertible corporate bond is determined according to the pricing model specified in the conversion rules. In case of anti-dilution provisions triggered by the Company, the conversion price will be adjusted based on the same pricing model. As of December 31, 2024, the conversion price of this convertible corporate bond is set at NT\$14.8 per share.
  - iv. When the convertible bonds have been outstanding for three months from the date of issuance until 40 days prior to the end of the issuance period, if the closing price of the Company's common stock exceeds 30% of the then conversion price for thirty consecutive business days, or if the outstanding balance of the Convertible Bonds in circulation is less than 10% of the original issuance amount, the Company may, at any time thereafter, redeem all the Convertible Bonds in cash at their face value.
  - v. According to the conversion rules, all redeemed (including those bought back by securities firms), repaid, or converted convertible bonds of the Company shall be cancelled and may not be resold or issued again, and their attached conversion rights shall also be extinguished.
- (b) As of December 31, 2024, the principal amount of the convertible corporate bonds has not been converted into common shares.
- B. When issuing convertible bonds, the Company separated the equity component of the conversion right and each liability component element in accordance with International Accounting Standard 32 "Financial Instruments: Presentation." As of December 31, 2024, the "Capital Surplus - Subscription Rights" was recorded as NT\$44,848 thousand. The embedded call option was also separated from the host contract liability instrument in accordance with International Financial Reporting Standard 9 "Financial Instruments" as it was not closely related to the economic characteristics and risks of the host contract liability instrument. The net amount of the embedded call option was then recorded as "Financial Assets at Fair Value through Profit or Loss." The effective interest rate of the host contract liability instrument after separation was 2.3%.

(14) Long-term Borrowings

<u>Type of Borrowings</u>	<u>Borrowing Period</u>	<u>December 31, 2024</u>
Secured Borrowings	From November 20, 2019 to November 20, 2026	\$ 41,072
	Monthly interest payment	
	The principal be repaid in 84 installments starting from December 20, 2019	
	From October 13, 2020 to October 13, 2025	50,000
	Monthly interest payment	
	The principal be repaid in 12 installments starting from January 13, 2023	
	From May 20, 2021 to May 20, 2028	97,619
	Monthly interest payment	
	The principal be repaid in 84 installments starting from June 20, 2021	
	From November 25, 2021 to November 25, 2026	6,133
	Monthly interest payment	
	The principal be repaid in 48 installments starting from December 25, 2022	
Unsecured Borrowings	From November 25, 2021 to November 25, 2026	
	Monthly interest payment	
	The principal be repaid in 48 installments starting from December 25, 2022	1,533
		196,357
Less: Long-term borrowings due within one year		( 104,000)
		\$ 92,357
Interest Rate Range		<u>2.16%~2.54%</u>

<u>Type of Borrowings</u>	<u>Borrowing Period</u>	<u>December 31, 2023</u>
Secured Borrowings	From August 13, 2019 to August 13, 2024	\$ 50,000
	Monthly interest payment	
	The principal be repaid in 12 installments starting from November 13, 2021	
	From November 20, 2019 to November 20, 2026	62,500
	Monthly interest payment	
	The principal be repaid in 84 installments starting from December 20, 2019	
	From October 13, 2020 to October 13, 2025	100,000
	Monthly interest payment	
	The principal be repaid in 12 installments starting from January 13, 2023	
	From May 20, 2021 to May 20, 2028	126,190
	Monthly interest payment	
	The principal be repaid in 84 installments starting from June 20, 2021	
	From November 25, 2021 to November 25, 2026	9,333
	Monthly interest payment	
	The principal be repaid in 48 installments starting from December 25, 2022	
Unsecured Borrowings	From November 25, 2021 to November 25, 2026	
	Monthly interest payment	
	The principal be repaid in 48 installments starting from December 25, 2022	2,333
		350,356
Less: Long-term borrowings due within one year		( 153,999)
		\$ 196,357
Interest Rate Range		<u>2.03%~2.36%</u>

- A. As of December 31, 2024 and 2023, the long-term borrowings of Utex Innovation Co., Ltd. were NT\$7,666 thousand and NT\$11,666 thousand, respectively. These borrowings were guaranteed by the Small and Medium Enterprise Credit Guarantee Fund, and had no substantive collateral. Based on the proportion defined in the guaranteed regulations, 80% of the borrowings were secured borrowings, and 20% were unsecured borrowings.
- B. Please refer to Note 8 for details of the collateral for secured borrowings.

(15) Pension

A. (a). The Company has established a retirement plan with defined benefits in accordance with the Labor Standards Act. The plan applies to the service years of all regular employees before the implementation of the Labor Pension Act on July 1, 2005, as well as the subsequent service years of employees who choose to continue to be subject to the Labor Standards Act. Retirement benefits are calculated based on years of service and the average salary in the last 6 months before retirement. For those with service years of 15 years or less, two months' basic salary is provided for each year of service. For those with service years exceeding 15 years, one month's basic salary is provided for each year of service, with a maximum of 45 months' basic salary. The Company contributes 2% of total salary as a monthly provision for retirement benefits, which is deposited in a special account in the name of the Labor Retirement Reserve Supervisory Committee at the Bank of Taiwan. In addition, the Company estimates the balance of the Labor Retirement Reserve account at the end of each fiscal year. If the balance is insufficient to cover the estimated retirement benefits for employees who are expected to retire in the following year, based on the above calculation, the Company will make up the difference by the end of March of the following year.

(b). The amounts recognized in the balance sheet are as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Present Value of Defined Benefit		
Obligation	\$ 33,179	\$ 46,301
Fair value of Plan Assets	( 29,496)	( 28,047)
Net Defined Benefit Liability	<u>\$ 3,683</u>	<u>\$ 18,254</u>

(c). Changes in Net Defined Benefit Liability:

	<u>Present Value of Defined Benefit Obligation</u>	<u>Fair Value of Plan Assets</u>	<u>Net Defined Benefit Liability</u>
2024			
Balance as of Jan. 1	\$ 46,301	(\$ 28,047)	\$ 18,254
Current Service Cost	185	-	185
Interest Expense (Income)	579	( 356)	223
	<u>47,065</u>	<u>( 28,403)</u>	<u>18,662</u>
Remeasurement Items:			
Plan Asset Return (Excluding amounts included in interest income or expense)	-	( 2,798)	( 2,798)
Effects of changes in financial assumptions	( 589)	-	( 589)
Experience Adjustment	( 3,312)	-	( 3,312)
	<u>( 3,901)</u>	<u>( 2,798)</u>	<u>( 6,699)</u>
Provision for Retirement Benefit	( 7,422)	( 858)	( 8,280)
Payment of Retirement Benefit	( 2,563)	2,563	-
Balance as of Dec. 31	<u>\$ 33,179</u>	<u>(\$ 29,496)</u>	<u>\$ 3,683</u>

<u>Present Value of</u>	<u>Fair Value of Plan</u>	<u>Net Defined Benefit</u>
-------------------------	---------------------------	----------------------------

	<u>Defined Benefit</u> <u>Obligation</u>	<u>Assets</u>	<u>Liability</u>
2023			
Balance as of Jan. 1	\$ 54,861	(\$ 34,689)	\$ 20,172
Current Service Cost	272	-	272
Interest Expense (Income)	<u>686</u>	<u>( 440)</u>	<u>246</u>
	<u>55,819</u>	<u>( 35,129)</u>	<u>20,690</u>
Remeasurement Items:			
Plan Asset Return (Excluding amounts included in interest income or expense)	-	( 255)	( 255)
Experience Adjustment	<u>( 1,260)</u>	<u>-</u>	<u>( 1,260)</u>
	<u>( 1,260)</u>	<u>( 255)</u>	<u>( 1,515)</u>
Provision for Retirement Benefit	-	( 921)	( 921)
Payment of Retirement Benefit	<u>( 8,258)</u>	<u>8,258</u>	<u>-</u>
Balance as of Dec. 31	<u>\$ 46,301</u>	<u>(\$ 28,047)</u>	<u>\$ 18,254</u>

(d). The assets of Company's defined benefit retirement plan fund are entrusted to Taiwan Bank to operate according to the investment and utilization plan set for the fund year, based on the proportion and amount range of commissioned business items stipulated in Article 6 of the Regulations Governing Receipt and Utilization of Income and Expenditures of Labor Retirement Funds (depositing in domestic and foreign financial institutions, investing in domestic and foreign securities listed on stock exchanges, over-the-counter markets, or privately issued securities, and investing in securitized commodities of domestic and foreign real estate, etc.). The related utilization situation is supervised by the Labor Pension Fund Supervisory Committee. The minimum income distribution for the fund's operation and utilization each year shall not be less than the income calculated based on the two-year fixed deposit interest rate of the local bank. If there is any shortfall, it shall be supplemented by the National Treasury after approval by the competent authority. As the Company has no right to participate in the operation and management of the fund, it is unable to disclose the classification of the plan assets' fair value in accordance with paragraph 142 of International Accounting Standard No. 19. Please refer to the labor retirement fund utilization report for each year as announced by the government for the fair value of the total assets of the fund as of December 31, 2024 and 2023.

(e). Summary of actuarial assumptions for retirement benefits:

	<u>2024</u>	<u>2023</u>
Discount Rate	<u>1.50%</u>	<u>1.25%</u>
Future Salary Increase Rate	<u>3.00%</u>	<u>3.00%</u>

The assumptions for future mortality rates for the years 2024 and 2023 are estimated based on the second Taiwan Annuity insurance life table. The analysis of the impact on the present value of the defined benefit obligation due to changes in the main actuarial assumptions adopted is as follows:



	Discount Rate		Future Salary Increase Rate	
	Increase by	Decrease by	Increase by	Decrease by
	0.25%	0.25%	1 %	1%
Dec. 31, 2024				
Impact on the Present Value of Defined Benefit Obligations	(\$ 570)	\$ 589	\$ 2,434	(\$ 2,194)

	Discount Rate		Future Salary Increase Rate	
	Increase by	Decrease by	Increase by	Decrease by
	0.25%	0.25%	1 %	1%
Dec. 31, 2023				
Impact on the Present Value of Defined Benefit Obligations	(\$ 751)	\$ 776	\$ 3,205	(\$ 2,867)

The sensitivity analysis presented above is based on the assumption that all other variables remain constant while only one variable changes. In practice, however, changes in one variable may be interrelated with changes in other variables. The sensitivity analysis is consistent with the method used to calculate the net retirement benefit liability in the balance sheet.

The methods and assumptions used in preparing the sensitivity analysis for the current period are consistent with those used in the previous period.

- (f). The Company anticipates making a contribution of NT\$858 thousand to the retirement plan in 2025.
- (g). As of December 31, 2024, the weighted average remaining service period of the retirement plan is 8.9 years.

- B. (a). Since July 1, 2005, the Company has established a defined contribution retirement plan for its employees who are nationals of Taiwan, in accordance with the Labor Pension Act. Under this plan, the Company contributes 6% of each employee's monthly salary to his/her individual account at the Bureau of Labor Insurance. Upon retirement, the employee may choose to receive monthly pension payments or a lump sum payment, based on the balance in his/her individual account and the accumulated investment income.
- (b). All subsidiaries of the Group in China contribute a certain percentage of the local employees' total salaries each month to the pension insurance system in accordance with the regulations of the government of the People's Republic of China. The contribution rates were 15% and 14% for the years 2024 and 2023, respectively. The retirement benefits of each employee are managed and arranged by the Chinese government, and the Group has no further obligations beyond the monthly contributions.
- (c). The retirement benefit costs recognized by the Group in accordance with the above-mentioned retirement benefit plan for the years 2024 and 2023 were NT\$14,270 thousand and NT\$13,957 thousand, respectively.

- C. Since 1970, the Company granted the former chairman two months' basic salary for each year of service within 15 years of service. For the serving year under half of a year is accounted for half of a year, and reaching half of a year is accounted for a year. For the year ended December 31, 2024, the pension expenses recognized for the retirement of the former chairman amounted to NT\$6,531 thousand.

(16) Share Capital

- A. As of December 31, 2024, the authorized capital of the Company was NT\$1,838,311 thousand, and the paid-in capital was NT\$1,298,970 thousand, with a par value of NT\$ 10 per share.
- B. The number of outstanding ordinary shares of the Company was adjusted as follows at the beginning and end of the period:

	Unit: Thousand Shares	
	2024	2023
Beginning Share (Ending Share)	129,897	129,897

(17) Capital Surplus

According to the Company Law, the capital surplus obtained from issuing stocks above par

value and the capital surplus obtained from receiving gifts shall, except for offsetting losses, be distributed as new shares or cash to shareholders in proportion to their original shareholding when the Company has no accumulated losses. In addition, according to relevant regulations of the Securities and Exchange Act, when the above-mentioned capital surplus is allocated to capital, the total amount shall not exceed 10% of the paid-in capital each year. If the Company still has insufficient funds to cover the capital deficiency after using the legal reserve, it may not use the capital surplus to make up for the shortfall.

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Can be used to offset losses, distribute cash, or allocate to share capital		
Treasury Stocks Transaction	\$ 5,887	\$ 5,887
Cannot be used to offset losses, distribute cash, or allocate to share capital		
Recognition of equity component resulting from the issuance of convertible corporate bonds	\$ 44,848	\$ 44,848

(18) Retained Earnings

- A. According to the Company Act, after deducting the losses from previous years, 10% of the remaining balance of the Company's after-tax profits must be set aside as a legal reserve. The rest of the balance, together with the accumulated undistributed profits from the previous year, shall be considered as distributable profits. The legal reserve may only be used to offset the Company's losses or to increase its capital. However, when increasing the capital, the legal reserve shall not exceed 25% of the paid-in capital, and only half of the reserve may be used.
- B. If there is a net profit in the annual financial statements of the Company, taxes and other dues shall be paid in accordance with the law, and 10% of the balance, after offsetting accumulated losses, shall be appropriated as the legal reserve. However, when the legal reserve has reached the Company's paid-in capital, no further appropriation is required. The remaining balance shall be appropriated or transferred to the special surplus reserve in accordance with relevant laws and regulations. If there is still a balance, it shall be combined with the accumulated undistributed profits and proposed by the Board of Directors for approval at the Shareholders' Meeting for the distribution of dividends to shareholders.  
The distribution of dividends to the shareholders is based on both stock dividends and cash dividends. For next year, the cash dividends shall not be less than 10% of the total amount of dividends. The actual distribution ratio is subject to the authorization of the Board of Directors based on the Company's financial condition and capital budget.
- C. When distributing profits, this company must first allocate a portion to the special reserve for undistributed earnings, which is derived from the debit balance in other equity items as of the year-end balance sheet date in accordance with relevant laws and regulations. Only after this reserve is set up can profits be distributed. If the debit balance in other equity items is reversed in the future, the amount of the reversal can be included in the distributable profits.

D. The dividend distribution for the year 2022, which was approved by the shareholders' meetings on June 26, 2023 is as follows:

	2022	
	<u>Amount</u>	<u>Dividend per Share (NT\$)</u>
Legal Reserve	\$ 7,514	
Cash Dividend	<u>51,959</u>	\$ 0.40
Total	<u>\$ 59,473</u>	

E. As the Company incurred loss in 2023, the shareholders meeting resolved on June 26, 2024 not to distribute earnings.

F. The earnings distribution for the year 2024, which was approved by the board of directors on March 10, 2025 is as follows:

	2024	
	<u>Amount</u>	<u>Dividend per Share (NT\$)</u>
Legal Reserve	\$ 11,228	
Cash Dividend	<u>51,959</u>	\$ 0.40
Total	<u>\$ 63,187</u>	

As of March 10, 2025, the earnings distribution for the year 2024 is pending to be resolved by the shareholders meeting.

G. Please refer to Note 6(24) for the information of employee compensation and director and supervisor remuneration.

#### (19) Operating Revenue

A. Breakdown of revenue from customer contract.

The Group's revenue is derived from the transfer of goods at a certain point in time.

2024										
Contract Revenue	Honmyue				Hongyu Zhejiang		Nuwa		Other	Total
	Asia	Europe	America	Other	Asia	Europe	Asia	America	Asia	
	<u>\$ 1,803,243</u>	<u>\$10,074</u>	<u>\$148,675</u>	<u>\$1,381</u>	<u>\$ 648,038</u>	<u>\$ 25</u>	<u>\$228,135</u>	<u>\$ 694</u>	<u>\$327,912</u>	
	2023									
Contract Revenue	Honmyue				Hongyu Zhejiang		Nuwa		Other	Total
	Asia	Europe	America	Other	Asia	Europe	Asia	America	Asia	
	<u>\$ 1,684,391</u>	<u>\$13,224</u>	<u>\$ 91,571</u>	<u>\$2,275</u>	<u>\$ 602,333</u>	<u>\$ -</u>	<u>\$190,335</u>	<u>\$1,815</u>	<u>\$ 99,782</u>	

B. Contract Liabilities

The Group recognizes the following contract liabilities related to revenue from customer contract:

	<u>Dec. 31, 2024</u>	<u>Dec. 31, 2023</u>	<u>Jan. 1, 2023</u>
Contract Liabilities - Advance from Customers	<u>\$ 51,369</u>	<u>\$ 25,287</u>	<u>\$ 25,257</u>

C. Beginning contract liabilities and revenue recognized in the current period are as follows:

	2024	2023
Beginning Contract Liabilities and Revenue		
Recognized this period	\$ 22,991	\$ 21,945

(20) Other Income

	2024	2023
Compensation Income	\$ 101,317	\$ -
Rental Income	27,217	20,728
Government Grant Income	25,555	11,606
Dividend Income	40	220
Other Income - Others	24,655	17,970
	\$ 178,784	\$ 50,524

- A. On February of 2019, Jiujiang Deyu Textile Technology Co., Ltd. signed a subsidy contract with the De'an County of the People's Republic of China. The subsidy of NT\$25,451 thousand for infrastructure construction was recognized as deferred income (recorded as other current liabilities and other non-current liabilities) in three phases. The income was recognized annually over a land use right of 50 years. Jiujiang Deyu received the first phase of subsidy of NT\$10,180 thousand in December 2021. The Group recognized government grant income (presented as other income) amounting to NT\$523 thousand for the agreement in 2024. As of December 31, 2024, the balances of deferred income and grant income were NT\$23,333 thousand and NT\$2,440 thousand, respectively.
- B. Hongyu Textile Zhejiang Co., Ltd. signed the agreement of termination of and phasing out printing and dyeing capacity of enterprise with Jiaxing Xiuzhou Photovoltaic Town Development and Construction Co., Ltd. entrusted by Jiaxing Municipal People's Government of P.R.C. in September 2022. The Group shall terminate the printing and dyeing capacity and clear up the printing and dyeing equipment by December 31, 2022 and June 30, 2023, respectively, and will receive compensation payments in installments for relevant equipment, relocation, and losses on cease of production and operation. As the local government in China encouraged enterprises to cooperate, there is an early incentive clause, and reward for cease of production, etc. The Group received the last installment of compensation payment amounting to NT\$19,811 thousand in February 2024. The Group recognized compensation income amounting to NT\$81,132 thousand (presented as other income) for the agreement for the year ended December 31, 2024.
- C. Hongyu Textile Zhejiang Co., Ltd. signed the agreement of termination of using road with Jiaxing High-tech Industrial Development Zone Management Committee on January 25, 2024. The Group shall remove the relevant ancillary buildings and facilities by April 30, 2024, and will receive compensation payments for expenses associated with removing. The Group recognized compensation income amounting to NT\$20,185 thousand (presented as other income) for the agreement for the year ended December 31, 2024.
- D. The government grant income for the years ended December 31, 2024 and 2023 primarily arose from the carbon reduction plan granted by SMECF, and the Conventional Industry Technology Development (CITD) granted by the Ministry of Economic Affairs.

(21) Other Gains and Losses

	<u>2024</u>	<u>2023</u>
Net Foreign Exchange Gain (Loss)	\$ 23,068	(\$ 5,082)
Loss on Financial Assets at Fair Value through P/L	3,015	( 832)
Gain on Disposal of Investments	4,043	2,580
Gain on Disposal of Property, Plant, and equipment	1,115	8,600
Gain on Disposal of Intangible Assets	-	19,340
Miscellaneous expenditures	( 6,468)	( 6,111)
Disposal of Intangible Assets	<u>( 2,100)</u>	<u>( 259)</u>
	<u>\$ 16,643</u>	<u>\$ 18,236</u>

(22) Financial Costs

	<u>2024</u>	<u>2023</u>
Interest Expense	\$ 13,781	\$ 16,999
Interest Expense on Bonds Payable	8,336	8,151
Interest Expense on Lease Liabilities	<u>67</u>	<u>37</u>
	<u>\$ 22,184</u>	<u>\$ 25,187</u>

(23) Expense by nature

	<u>2024</u>	<u>2023</u>
Employee Benefits Expenses	\$ 495,008	\$ 447,747
Depreciation Expenses for Property, Plant, and Equipment	98,464	88,159
Depreciation Expenses for Right-of-use Assets	3,787	3,224
Amortization Expenses for Intangible Assets	<u>1,757</u>	<u>2,977</u>
	<u>\$ 599,016</u>	<u>\$ 542,107</u>

(24) Employee Benefits Expense

	<u>2024</u>	<u>2023</u>
Salary expense	\$ 419,219	\$ 381,977
Labor and Health Insurance Expenses	30,417	30,542
Pension Expenses	21,209	14,475
Other Employee Benefits Expenses	<u>24,163</u>	<u>20,753</u>
	<u>\$ 495,008</u>	<u>\$ 447,747</u>

- A. According to the Company's Articles of Incorporation, if the Company generates profits in any fiscal year, at least 2% of the profits shall be allocated as employee compensation and distributed as cash or stock dividends by resolution of the Board of Directors, and the distribution shall include eligible employees of subsidiary companies meeting certain conditions. In addition, the Company may allocate up to 5% of the profits by resolution of the Board of Directors as directors' compensation. However, if the Company has accumulated losses, the amount necessary to offset the losses shall be reserved in advance, and employee compensation and director compensation shall be allocated in accordance with the aforementioned ratio.
- B. The estimated amounts of employees and directors' remuneration for the Company in 2024 and 2023 are as follows:

	2024	2023
Employee Remuneration	\$ 3,482	\$ -
Director/Supervisor Remuneration	3,482	-
	<u>\$ 6,964</u>	<u>\$ -</u>

The aforementioned amounts are recorded under the salary expense account. The employees' and directors' remuneration for the year ended December 31, 2024 was estimated at 3% based on the earnings up to the periods. No employees' and directors' remuneration was accrued for employees and directors for the year ended December 31, 2023 due to losses incurred.

- C. The amounts recognized for employees' and directors' remuneration in year 2023, as approved by the Board of Directors, were consistent with the amounts recognized in the financial statements for year ended December 31, 2023.
- D. The information related to employees' and directors' remuneration approved by the Board of Directors can be found on the Market Observation Post System.
- (25) Income Tax

A. Income Tax Expense

(a) Components of income tax expense:

	2024	2023
Current Income Tax		
Income Tax Expense for the Current Year	\$ 4,350	\$ 5,941
Additional Tax on Unappropriated Earnings	209	-
Over-provision of Income Tax in Prior Year	( 11,437)	( 2,417)
	<u>( 6,878)</u>	<u>3,524</u>
Deferred Income Tax		
Origination and Reversal of Temporary Differences	13,597	( 1,959)
Under (Over) -provision of Income Tax in Prior Year	( 622)	461
	<u>12,975</u>	<u>( 1,498)</u>
Income Tax Expenses (Benefits)	<u>\$ 6,097</u>	<u>\$ 2,026</u>

(b) Income tax related to other comprehensive income:

	2024	2023
Changes in Fair Value of Financial Assets measured at Fair Value through Other Comprehensive Income	(\$ 4,486)	\$ 948
Remeasurements of Defined Benefit Obligations	1,340	303
	<u>(\$ 3,146)</u>	<u>\$ 1,251</u>

B. Reconciliation between income tax expense and accounting profit.

	2024	2023
Income tax calculated based on net profit(loss) before tax and statutory tax rate	\$ 40,777	(\$ 10,718)
Deductible Amounts as Stipulated by Tax Regulation	1,078	2,889
Exempt Income as Stipulated by Tax Regulation	( 698)	( 2,338)
Unrecognized Deferred Tax Assets Due to Temporary Differences	( 16,985)	21,529
Realizability Assessment Changes in Deferred Tax Assets	( 7,224)	( 10,626)
Deferred Tax Assets for Tax Loss Carryforwards Not Recognized	-	3,045
Over-provision of Income Tax in Prior Year	( 11,437)	( 2,417)
Tax Effect of Alternative Minimum Tax	377	-
Additional Tax on Unappropriated Earnings	209	-
Other	-	662
Total	<u>\$ 6,097</u>	<u>\$ 2,026</u>

C. The amounts of deferred tax assets or liabilities arising from temporary differences are as follows:

	2024			
	January 1	Recognized in Profits or Loss	Recognized In Other Comprehensive Income	December 31
Temporary Differences:				
-Deferred Tax Assets:				
Allowance for Doubtful Accounts - Out of Adjustment	\$ 3,661	(\$ 1,210)	\$ -	\$ 2,451
Loss on inventories market price decline	20,283	( 7,045)	-	13,238
Unrealized exchange loss	1,598	( 1,598)	-	-
Remeasurement of Defined Benefit Obligations	4,499	-	( 1,340)	3,159
Unrealized Gains or Losses on Financial Assets at Fair Value through Other Comprehensive Income	6,036	-	4,486	10,522
Other	<u>6,510</u>	<u>( 1,002)</u>	<u>-</u>	<u>5,508</u>
Subtotal	<u>\$ 42,587</u>	<u>(\$ 10,855)</u>	<u>\$ 3,146</u>	<u>\$ 34,878</u>
-Deferred Tax Liabilities				
Provision for Land Value Increment Tax	(\$ 67,569)	\$ -	\$ -	(\$ 67,569)
Unrealized Gains on Foreign Currency Translation	-	( 2,120)	-	( 2,120)
Total	<u>(\$ 67,569)</u>	<u>(\$ 2,120)</u>	<u>\$ -</u>	<u>(\$ 69,689)</u>

	2023			
	January 1	Recognized in Profits or Loss	Recognized In Other Comprehensive Income	December 31
Temporary Differences:				
-Deferred Tax Assets:				
Allowance for Doubtful Accounts -	\$ 4,112	(\$ 451)	\$ -	\$ 3,661

Out of Adjustment				
Loss on inventories market price decline	19,669	614	-	20,283
Unrealized exchange loss	-	1,598	-	1,598
Remeasurement of Defined Benefit Obligations	4,883	( 81)	( 303)	4,499
Unrealized Gains or Losses on Financial Assets at Fair Value through Other Comprehensive Income	6,984	-	( 948)	6,036
Other	7,307	( 797)	-	6,510
Subtotal	<u>\$ 42,955</u>	<u>\$ 883</u>	<u>(\$ 1,251)</u>	<u>\$ 42,587</u>
-Deferred Tax Liabilities				
Provision for Land Value Increment				
Tax	(\$ 67,569)	\$ -	\$ -	(\$ 67,569)
Unrealized Gains on Foreign Currency Translation	( 585)	585	-	-
Other	( 30)	30	-	-
Total	<u>(\$ 68,184)</u>	<u>\$ 615</u>	<u>\$ -</u>	<u>(\$ 67,569)</u>

D. The unused tax losses and related amounts of unrecognized deferred tax assets of the Group are as follows:

December 31, 2024

<u>Year</u>	<u>Filing/Approved Amount</u>	<u>Original Offset Amount</u>	<u>Unutilized Offset Amount</u>	<u>Amount of Unrecognized Deferred Income Tax Amount</u>	<u>Final Offset Year</u>
2024	Estimated Filing Amount	\$ 18,146	\$ 18,146	\$ 18,146	2034
2023	Filing Amount	15,256	15,256	15,256	2033
2022	Approved Amount	38,803	38,803	38,803	2032
2021	Approved Amount	29,588	29,588	29,588	2031
2020	Approved Amount	38,491	38,491	38,491	2030, 2025
2019	Approved Amount	85,788	66,860	66,860	2029, 2024
2018	Approved Amount	20,311	20,311	20,311	2028

December 31, 2023

<u>Year</u>	<u>Filing/Approved Amount</u>	<u>Original Offset Amount</u>	<u>Unutilized Offset Amount</u>	<u>Amount of Unrecognized Deferred Income Tax Amount</u>	<u>Final Offset Year</u>
2023	Estimated Filing Amount	\$ 15,226	\$ 15,226	\$ 15,226	2033
2022	Filing Amount	38,803	38,803	38,803	2032
2021	Filing Amount	29,588	29,588	29,588	2031
2020	Approved Amount	38,491	38,491	38,491	2030, 2025
2019	Approved Amount	85,788	66,860	66,860	2029, 2024
2018	Approved Amount	20,311	20,311	20,311	2028



E. Unrecognized temporary differences that are not deductible for deferred tax assets:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Deductible temporary differences	\$ <u>144,201</u>	\$ <u>299,313</u>

F. The annual corporate income tax of the Company and domestic subsidiaries, as determined by the tax authority, is listed in the following table:

Company	Approved Year
Honmyue Enterprise Co., Ltd.	2022
Nuwa Enterprise Co., Ltd.	2022
Wenfa Development L.L.C	2022
Utex Innovation Co., Ltd.	2022

(26) Earnings(Losses) per Share

	<u>2024</u>		
		<u>Weighted average number of outstanding shares (thousand shares)</u>	<u>Earnings per share (NT\$)</u>
	<u>After tax amount</u>		
<u>Basic earnings per share</u>			
Net profit attributable to ordinary shareholders of the parent company	<u>\$ 106,924</u>	<u>129,897</u>	<u>\$ 0.82</u>
<u>Diluted earnings per share</u>			
Net profit attributable to ordinary shareholders of the parent company	\$ 106,924	129,897	
Effects of dilutive potential ordinary shares			
Employees' remuneration	-	277	
Convertible bonds	<u>6,669</u>	<u>20,270</u>	
Effects of net profit attributable to ordinary shareholders of the parent company and potential ordinary shares	<u>\$ 113,593</u>	<u>150,444</u>	<u>\$ 0.76</u>

The calculation of diluted earnings per share is based on the assumption that the employees' remuneration is paid by stock in full. When the potential ordinary shares are dilutive, they are included in the weighted average number of outstanding shares.

	2023	
	<u>Weighted average</u>	
	<u>number of</u>	
	<u>outstanding shares</u>	<u>Losses per</u>
	<u>After tax amount(thousand shares)</u>	<u>share (NT\$)</u>
<u>Basic earnings per share</u>		
Net loss attributable to ordinary shareholders of the parent company	(\$ 44,431)	129,897 (\$ 0.34)

In 2023, The employee remuneration of the Group, such as potential ordinary shares and convertible corporate bonds, have an anti-dilutive effect and are therefore not included in the calculation of diluted losses per share.

(27) Supplementary Cash Flow Information

Partial cash payment for investing activities:

	2024	2023
Acquisition of Property, Plant and Equipment	\$ 72,869	\$ 87,161
Add: Beginning Balance of Payable for Construction and Equipment	4,927	12,722
Less: Ending Balance of Payable for Construction and Equipment	( 3,141)	( 4,927)
Less: Beginning Balance of Advances to Construction Contractors	( 13,820)	( 11,437)
Add: Ending Balance of Advances to Construction Contractors	40,855	13,820
Cash Paid during the Period	<u>\$ 101,690</u>	<u>\$ 97,339</u>

(Intentionally left blank)

(28) Changes in Liabilities from Financing Activities

	<u>Short-term Borrowings</u>	<u>Short-term Notes Payable</u>	<u>Lease Liabilities</u>	<u>Bonds Payable (including those due within one year)</u>	<u>Long-term Borrowings (Including those due within one year)</u>	<u>Deposit Received for Guarantee</u>	<u>Dividends Payable</u>	<u>Total Liabilities from Financing Activities</u>
Jan. 1, 2024	\$ 341,029	\$ 29,923	\$ 3,883	\$ 295,720	\$ 350,356	\$ 10,808	\$ -	\$ 1,031,719
Changes in Cash Flows from Financing Activities	149,249	( 30,000)	( 2,216)	-	( 153,999)	3,531	( 1,256)	( 34,691)
Effect of Exchange Rate Changes	39	-	-	-	-	-	-	39
Interest Payable of Corporate Bonds	-	-	-	8,336	-	-	-	8,336
Other-Non-cash Changes	-	77	3,094	-	-	-	1,256	4,427
Dec. 31, 2024	<u>\$ 490,317</u>	<u>\$ -</u>	<u>\$ 4,761</u>	<u>\$ 304,056</u>	<u>\$ 196,357</u>	<u>\$ 14,339</u>	<u>\$ -</u>	<u>\$ 1,009,830</u>

  

	<u>Short-term Borrowings</u>	<u>Short-term Notes Payable</u>	<u>Lease Liabilities</u>	<u>Bonds Payable</u>	<u>Long-term Borrowings (Including those due within one year)</u>	<u>Deposit Received for Guarantee</u>	<u>Dividends Payable</u>	<u>Total Liabilities from Financing Activities</u>
Jan. 1, 2023	\$ 238,361	\$ -	\$ 6,557	\$ 287,569	\$ 521,023	\$ 16,170	\$ -	\$ 1,069,680
Changes in Cash Flows from Financing Activities	101,429	30,000	( 1,699)	-	( 170,667)	( 5,362)	( 53,057)	( 99,356)
Effect of Exchange Rate Changes	1,239	-	-	-	-	-	-	1,239
Interest Payable of Corporate Bonds	-	-	-	8,151	-	-	-	8,151
Other Non-cash Changes	-	( 77)	( 975)	-	-	-	53,057	52,005
Dec. 31, 2023	<u>\$ 341,029</u>	<u>\$ 29,923</u>	<u>\$ 3,883</u>	<u>\$ 295,720</u>	<u>\$ 350,356</u>	<u>\$ 10,808</u>	<u>\$ -</u>	<u>\$ 1,031,719</u>

## 7. Related Party Transactions

### (1) Name and Relationship of Related Parties

<u>Name of Related Parties</u>	<u>Relationship with the Group</u>
Yeh, Ming-Zhou	Other related party of the Group (Note)
Yeh, Po-Yu	Key management personnel of the Group
Yeh, Jun-Lin	Key management personnel of the Group
Zhejiang Yaoliang Textile Co., Ltd (Zhejiang Yaoliang)	Associates of the Group
He Guan Textile Co., Ltd.	Other related parties of the Group
Yunite Textile International Co., Ltd.	Other related parties of the Group
Zhen Hong Investment Co., Ltd.	Other related parties of the Group
Yeh-Meng Metal Ind. Co., Ltd.	Other related parties of the Group

Note: The chairman of the board of directors has been changed to Mr. Yeh, Po-Yu by election on June 26, 2024.

### (2) Significant Transactions with Related Parties

#### A. Operating Revenue

	<u>2024</u>	<u>2023</u>
Sales of Goods:		
Other Related Parties	<u>\$ 5,821</u>	<u>\$ 4,921</u>

The aforementioned sales transactions are priced in accordance with our general pricing policies and are subject to a 90-day credit term for collection. It should be noted that our collection period for general customers ranges from 30 to 120 days.

#### B. Purchase

	<u>2024</u>	<u>2023</u>
Purchase of Goods:		
Other Related Parties	<u>\$ 9,897</u>	<u>\$ 6,504</u>

The aforementioned purchase transactions are conducted under the same conditions as those with general suppliers, with payment terms of 30 to 60 days after the end of the month. The payment period for our general suppliers ranges from 30 to 120 days.

#### C. Receivables from Related Parties

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
(A) Accounts Receivable and Noted Receivable		
Other Related Parties	<u>\$ 1,323</u>	<u>\$ 1,824</u>
(B) Other Receivable		
Zhejiang Yaoliang	<u>\$ -</u>	<u>\$ 15,255</u>

The other receivables primarily represent the expense paid on behalf of Zhejiang Yaoliang, including electricity and natural gas fees. Amounts exceeding normal credit terms for a certain period will be reclassified as lending funds.

#### D. Payables to Related Parties

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Notes Payable		
Other Related Parties	<u>\$ 113</u>	<u>\$ 1,295</u>
Accounts Payable		

Other Related Parties	\$ -	\$ 2,372
Accounts Payable - Others		
Other Related Parties	\$ 6	\$ 3

E. Lease Transactions – Lessee

(a) The Group leases land from the key management and other related parties. The period of the lease contract is from 2020 to 2026. The rentals are paid every half year of in the end of each month.

(b) Rental expenses

	2024	2023
Key Management	\$ 497	\$ 497
Other Related Parties	833	803
	<u>\$ 1,330</u>	<u>\$ 1,300</u>

(c) Lease liabilities (presented as other current liabilities and other non-current liabilities)

i. Ending Balance:

	December 31, 2024	December 31, 2023
Key Management	\$ 991	\$ 1,485
Other Related Parties	1,236	1,848
	<u>\$ 2,227</u>	<u>\$ 3,333</u>

ii. Interest Expenses

	2024	2023
Key Management	\$ 3	\$ 4
Other Related Parties	11	15
	<u>\$ 14</u>	<u>\$ 19</u>

(3) Key Management Compensation

	2024	2023
Short-term Employee Benefits	\$ 29,649	\$ 24,505
Post-Employment Benefits	14,746	763
	<u>\$ 44,395</u>	<u>\$ 25,268</u>

- A. Short-term employee benefits comprise salaries, paid annual leave, and the Company's portion of labor and health insurance premiums for employees in service.
- B. Post-employment benefits comprise to retirement benefits expenses borne by the Company.

## 8. Pledged Assets

The details of assets pledged by the Company as collateral are as follows:

Assets	Carrying amount		Purpose of Collateral
	December 31, 2024	December 31, 2023	
Property, Plant and Equipment			
Land	\$ 324,388	\$ 324,388	Long-term/short-term borrowings
Building and Constructions	150,014	160,302	Long-term/short-term borrowings
Financial Assets at Amortized Cost - Current	4,756	-	Purchase, natural gas and steam used in production
Financial Assets at Amortized Cost - Non-current	11,300	13,462	Natural gas and steam used for production and operation
Deposit for guarantee (Presented under Other Non-current Assets)	2,287	2,287	Product Warranty Guarantees
	<u>\$ 492,745</u>	<u>\$ 500,439</u>	

## 9. Significant Contingent Liabilities and Unrecognized Commitments

(1) Contingencies: None

(2) Commitments:

Capital expenditures that have been contracted but not yet incurred.

	December 31, 2024	December 31, 2023
Property, Plant, and Equipment	\$ 67,054	\$ 36,311
Intangible Assets	7,143	10,476
Total	<u>\$ 74,197</u>	<u>\$ 46,787</u>

## 10. Significant Disaster Loss

None.

## 11. Significant Subsequent Events

Please refer to note 6(18)6. for the appropriations of 2024 earnings .

## 12. Other

(1) Capital Management

The capital management objective of the Group is to ensure the continued operation of the Group, maintain an optimal capital structure to reduce funding costs, and provide returns to shareholders. To maintain the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares to reduce debt. The Group uses the debt-to-asset ratio to monitor its capital, which is calculated by dividing the total amount of debt by the total amount of assets.

During the year 2024, the Group continued to pursue the same strategy as in year 2023, focusing on reducing the debt-to-asset ratio to a reasonable level of risk. As of December 31, 2024 and 2023, the Group's debt-to-asset ratios were as follows:

	December 31, 2024	December 31, 2023
Total Liabilities	<u>\$ 1,724,000</u>	<u>\$ 1,731,823</u>
Total Assets	<u>\$ 3,897,308</u>	<u>\$ 3,765,003</u>
Debt-to-asset Ratio	<u>44%</u>	<u>46%</u>

(2) Financial Instrument

A. Types of Financial Instruments

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<u>Financial Assets</u>		
Financial Assets at Fair Value through Profit or Loss		
Financial Assets mandatorily measured at Fair Value through Profit or Loss	\$ 13,454	\$ 15,256
Financial assets at fair value through other comprehensive income		
Investment in designated equity instruments	43,684	64,638
Financial Assets at Amortized Cost	16,056	13,462
Cash and Cash Equivalents	450,000	431,458
Notes Receivable (Including Related Parties)	100,345	89,781
Accounts Receivable (Including Related Parties)	591,754	514,954
Other Receivables	26,322	34,350
Deposits Paid as Collateral	11,460	14,108
	<u>\$ 1,253,075</u>	<u>\$ 1,178,007</u>
	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<u>Financial Liabilities</u>		
Financial Liabilities at Amortized Cost		
Short-term Borrowings	\$ 490,317	\$ 341,029
Notes Payable - Short-term	-	29,923
Notes Payable	97,738	92,087
Accounts Payables	231,140	210,023
Other Payables	232,283	185,692
Bonds Payable (including current portion)	304,056	295,720
Long-term Borrowings (including current portion)	196,357	350,356
Deposits Received	14,339	10,808
	<u>\$ 1,566,230</u>	<u>\$ 1,515,638</u>
Lease Liabilities (including current portion)	<u>\$ 4,761</u>	<u>\$ 3,883</u>

B. Risk Management Policy

- (a) The daily operations of the Group are subject to various financial risks, including market risk (including currency risk, interest rate risk, and price risk), credit risk, and liquidity risk.
- (b) The management of financial risks is carried out by the Company's finance department in accordance with the policies approved by the Board of Directors. The finance department closely collaborates with the various business units and the Office of the Chairman to identify, assess and mitigate financial risks. The execution of financial risk management is carried out in accordance with the Company's internal management rules and internal control systems. The process and results of its execution shall comply with legal regulations.

The Board of Directors of the Group oversees the adherence to the financial risk policies and procedures by the management, and reviews the adequacy of the framework for managing the relevant financial risks. The internal audit personnel assist the Board of Directors in its supervisory role by conducting regular and ad hoc reviews, and reporting the results to the Board.

C. Nature and Extent of Significant Financial Risks

(a) Market Risk

Currency Risk

- i. The Group operates globally and is therefore exposed to foreign exchange risk arising from transactions in functional currencies different from that of the Company and its subsidiaries, mainly the US dollar and Chinese Renminbi. The related foreign exchange risk arises from future commercial transactions and

recognized assets and liabilities.

- ii. The management of the Group has established policies governing the management of foreign exchange risk with respect to its functional currencies. Each company within the Group is required to manage its overall foreign exchange risk through the Group's finance department. The measurement of foreign exchange risk is based on the expected transactions of highly probable outflows in US dollars and Chinese Renminbi.
- iii. The Group's operations involve several non-functional currencies (the functional currencies of the Company and certain subsidiaries are New Taiwan Dollar, Renminbi and US Dollar), and are therefore subject to the impact of exchange rate fluctuations. The significant foreign currency assets and liabilities that are affected by exchange rate fluctuations are as follows:

December 31, 2024						
(Foreign Currency: Functional Currency)	<u>Foreign Currency Amount</u>	<u>Exchange Rate</u>	<u>Carrying amount (TWD in thousand)</u>	<u>Sensitivity</u>		<u>Impact on Other Comprehensive Income</u>
	<u>(thousands)</u>		<u>Fluctuation Range</u>	<u>Impact on Profit and Loss</u>		
<u>Financial Assets</u>						
<u>Monetary items</u>						
USD:TWD	\$ 4,560	32.79	\$ 149,487	1%	\$ 1,495	\$ -
RMB:TWD	29,074	4.4901	130,544	1%	1,305	-
December 31, 2023						
(Foreign Currency: Functional Currency)	<u>Foreign Currency Amount</u>	<u>Exchange Rate</u>	<u>Carrying amount (TWD in thousand)</u>	<u>Sensitivity</u>		<u>Impact on Other Comprehensive Income</u>
	<u>(thousands)</u>		<u>Fluctuation Range</u>	<u>Impact on Profit and Loss</u>		
<u>Financial Assets</u>						
<u>Monetary items</u>						
USD:TWD	\$ 5,709	30.705	\$ 175,294	1%	\$ 1,753	\$ -
RMB:TWD	43,433	4.32	187,734	1%	1,877	-
<u>Financial Liabilities</u>						
<u>Monetary items</u>						
USD:RMB (Note)	\$ 750	7.1037	\$ 23,033	1%	\$ 230	\$ -

Note: As some of the functional currencies of the entities included in the consolidation are not New Taiwan Dollar, this has also been taken into consideration in the disclosure. The overall exchange gain/loss (realized and unrealized) recognized in the year 2024 and 2023 related to the significant impact of exchange rate fluctuations on the monetary items of the Group amounted to a net gain of NT\$23,068 thousand and a net loss of NT\$5,082 thousand, respectively.

#### Price Risk

- i. The equity instruments exposed to price risk are the financial assets at fair value through profit or loss and the financial assets at fair value through other comprehensive income. In order to manage the price risk of equity instrument investments, the Group diversifies its investment portfolio in accordance with the limits set by the Group.



- ii. The Group mainly invests in equity instruments issued by domestic companies, the prices of which are affected by the uncertainty of the future value of the investment target. If the prices of these equity instruments rise or fall by 1% while all other factors remain unchanged, the post-tax net profit for the years 2024 and 2023 will increase or decrease by NT\$108 thousand and NT\$122 thousand, respectively, due to the gains or losses from equity instruments measured at fair value through profit or loss. The gains or losses from equity investments measured at fair value through other comprehensive income will increase or decrease by NT\$349 thousand and NT\$517 thousand, respectively.

Cash Flow and Fair Value Interest Rate Risk

- i. The Group's interest rate risk arises primarily from short-term borrowings, short-term notes payable, and long-term borrowings issued at floating rates, which expose the Group to cash flow interest rate risk. In 2024 and 2023, the Group's borrowings issued at floating rates were primarily denominated in New Taiwan Dollars and US Dollars.
- ii. If the borrowing interest rate increases or decreases by 0.1%, while all other factors remain constant, the after-tax net profit for the years 2024 and 2023 will increase or decrease by NT\$549 thousand and NT\$577 thousand, respectively. This is mainly due to the variability of interest expense resulting from the floating-rate borrowings.

(b) Credit Risk

- i. The credit risk of the Group arises from the risk of financial loss due to counterparties' failure to fulfill their contractual obligations in transactions with customers or financial instruments. This risk mainly comes from counterparties' inability to settle receivables according to the payment terms.
- ii. The Group examines the creditworthiness of banks and financial institutions with which it deals and accepts them as counterparties only after assessing their credit quality to be satisfactory. In accordance with the internally established credit policy, each operating entity within the Group and each new customer must undergo management and credit risk analysis before the terms and conditions of payment and delivery are established. Internal risk management is achieved by evaluating the credit quality of customers through consideration of their financial condition, past experience, and other factors. Individual risk limits are established by the Board of Directors based on internal or external ratings, and the use of credit limits is monitored regularly.
- iii. The Group adopts the premise provided by IFRS9 whereby if contractual payments are overdue more than 90 days, it is considered a default.
- iv. The Group adopts a credit risk management procedure to assess whether there has been a significant increase in credit risk for financial instruments since their initial recognition. When contractually due payments are past due for more than 90 days, it is considered that the credit risk of the financial asset has significantly increased since its initial recognition, and individual assessment is applied.
- v. The Group classifies its trade receivables and contract assets by customer credit ratings, and uses a simplified approach based on the loss rate method to estimate expected credit losses.
- vi. The Group first evaluates and recognizes impairment losses for individual receivables for which objective evidence indicates that they cannot be collected. For other receivables, the Group estimates expected credit losses using a simplified approach based on the loss rate method, which is established based on

historical and current information over a specific period and with future forward-looking considerations. As of December 31, 2024 and 2023, the accumulated impairment loss amounts for individually assessed receivables were both NT\$0 thousand. The Group estimates the impairment loss for other receivables by adjusting the loss rate established based on historical and current information over a specific period with future forward-looking considerations, and the accumulated impairment loss amount was NT\$3,040 thousand and NT\$2,985 thousand for 2024 and 2023, respectively. The provision matrix is presented as follows:

	<u>Not Overdue</u>	<u>1 to 90 days</u>	<u>91 to 180 days</u>	<u>Over 181 days</u>	<u>Total</u>
<u>Dec. 31, 2024</u>					
Expected Loss Rate	0%-0.2%	0.2%-1%	1%-20%	55%-100%	
Total Carrying amount	\$ 626,019	\$ 62,454	\$ 2,282	\$ 3,061	\$ 693,816
Loss Allowance	( 353)	( 535)	( 28)	( 2,124)	( 3,040)
<u>Dec. 31, 2023</u>					
Expected Loss Rate	0%-1%	1%-3%	3%-10%	70%-100%	
Total Carrying amount	\$ 583,779	\$ 18,560	\$ 1,459	\$ 2,098	\$ 605,896
Loss Allowance	( 501)	( 502)	( 46)	( 1,936)	( 2,985)

vii. The table below shows the changes in the allowance for doubtful accounts using the simplified approach for the Group:

	<u>2024</u>	<u>2023</u>
	<u>Receivable</u>	<u>Receivable</u>
Jan. 1	\$ 2,985	\$ 10,392
Reversal of Impairment Losses	( 67)	( 4,828)
Amounts written off due to recoverability	-	( 2,528)
Exchange Rate Impact	122	( 51)
Dec. 31	<u>\$ 3,040</u>	<u>\$ 2,985</u>

(c) Liquidity risk

- i. The finance department of the Group monitors the forecast of the Group's liquidity needs to ensure that it has sufficient funds to support its operations and maintains adequate unused borrowing commitments at all times to avoid violating relevant borrowing limits or terms.
- ii. The following table shows the non-derivative financial liabilities of the Group grouped by the relevant maturity date, and the contractual cash flow amounts disclosed in the table are undiscounted, analyzed based on the remaining period from the balance sheet date to the contract maturity date.
- iii. Details of the unused loan facilities of the Group are as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Floating Rate		
Due within One Year	<u>\$ 970,390</u>	<u>\$ 1,633,943</u>

- iv. The table below provides a breakdown of the Group's financial liabilities, both derivative and non-derivative, that are settled either on a net or gross basis, categorized according to their respective maturity periods. Non-derivative financial liabilities are analyzed based on the remaining time from the balance

sheet date to their contractual maturity date, while derivative financial liabilities are analyzed based on their remaining time from the balance sheet date to their expected maturity date. Please note that the cash flow amounts disclosed in the table are not discounted.

Non-derivative Financial Liabilities

	<u>Less than 3 Months</u>	<u>3 Months to 1 Year</u>	<u>1 to 2 Years</u>	<u>2 to 5 Years</u>	<u>Over 5 Years</u>	<u>Total</u>
Dec. 31, 2024						
Short-term Borrowing	\$ 204,363	\$ 289,359	\$ -	\$ -	\$ -	\$ 493,722
Notes Payable	97,738	-	-	-	-	97,738
Accounts Payable	231,140	-	-	-	-	231,140
Other Payables	232,283	-	-	-	-	232,283
Lease Liabilities	641	1,922	2,070	280	-	4,913
Bond Payable (including current portion)	304,523	-	-	-	-	304,523
Long-term Borrowing (Including current portion)	27,087	80,344	53,340	41,132	-	201,903
Deposits Received for Guarantee	-	-	-	-	14,339	14,339

Non-derivative Financial Liabilities

	<u>Less than 3 Months</u>	<u>3 Months to 1 Year</u>	<u>1 to 2 Years</u>	<u>2 to 5 Years</u>	<u>Over 5 Years</u>	<u>Total</u>
Dec. 31, 2023						
Short-term Borrowing	\$ 192,863	\$ 149,424	\$ -	\$ -	\$ -	\$ 342,287
Short-term Notes Payable	30,000	-	-	-	-	30,000
Notes Payable	92,087	-	-	-	-	92,087
Accounts Payable	210,023	-	-	-	-	210,023
Other Payables	185,692	-	-	-	-	185,692
Lease Liabilities	340	1,020	1,359	1,279	-	3,998
Bond Payable	-	-	-	304,523	-	304,523
Long-term Borrowing (Including current portion)	30,171	128,875	106,836	94,193	-	360,075
Deposits Received for Guarantee	-	-	-	-	10,808	10,808

(3) Fair Value Information

A. The definitions of each level of valuation techniques used to measure the fair value of financial and non-financial instruments are as follows:

Level 1: The fair value of assets or liabilities measured on the reporting date is based on quoted prices (unadjusted) for identical assets or liabilities in an active market. An active market is a market in which transactions for the assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the listed equity investments held by the Group belongs to this level.

Level 2: The fair value of assets or liabilities is determined using directly or indirectly observable inputs, but not including quoted prices included in Level 1. Non-listed equity investments held by the Group belong to this level.

Level 3: The fair value of assets or liabilities is determined using unobservable inputs. The redemption feature of convertible bonds issued by the Group and equity instruments without an active market held by the Group belong to this level.

B. Financial Instruments not Measured at Fair Value

(a) The financial instruments of this Group that are not measured at fair value (including cash and cash equivalents, financial assets measured at amortized cost, notes receivable (including related parties), accounts receivable (including related parties), other receivables, deposits received, short-term borrowings, short-term notes payables, commercial papers payable, accounts payable, other payables, long-term borrowings (including those due within one year or one operating cycle), deposits

received from customers, and lease liabilities (including those due within one year or one operating cycle) are reasonably approximated at fair value by their carrying amounts, except for those listed in the following table:

December 31, 2024				
	<u>Carrying Amount</u>	<u>Level 1</u>	<u>Fair Value</u> <u>Level 2</u>	<u>Level 3</u>
Financial Liabilities:				
Bonds Payable	<u>\$ 304,056</u>	<u>\$ -</u>	<u>\$ 303,750</u>	<u>\$ -</u>

December 31, 2023				
	<u>Carrying Amount</u>	<u>Level 1</u>	<u>Fair Value</u> <u>Level 2</u>	<u>Level 3</u>
Financial Liabilities:				
Bonds Payable	<u>\$ 295,720</u>	<u>\$ -</u>	<u>\$ 294,780</u>	<u>\$ -</u>

(b) The methods and assumptions used to estimate fair value are as follows:

The bonds payables are measured at the present value of expected future cash flows using market interest rates as of the balance sheet date.

C. The financial and non-financial instruments measured at fair value by the Group are classified based on the nature, characteristics, risk, and fair value hierarchy of the assets and liabilities. The relevant information is as follows:

(a) The instruments are classified by the Group based on the nature of the assets and liabilities, and the information is presented below:

<u>December 31, 2024</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring Fair Value</u>				
Financial Assets at Fair Value through Profit or Loss:				
-Stocks	\$ 13,454	\$ -	\$ -	\$ 13,454
Financial Assets at Fair Value through Other Comprehensive Income:				
-Unlisted Company Stocks	<u>-</u>	<u>5,375</u>	<u>38,309</u>	<u>43,684</u>
	<u>\$ 13,454</u>	<u>\$ 5,375</u>	<u>\$ 38,309</u>	<u>\$ 57,138</u>

<u>December 31, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring Fair Value</u>				
Financial Assets at Fair Value through Profit or Loss:				
-Stocks	\$ 15,256	\$ -	\$ -	\$ 15,256
Financial Assets at Fair Value through Other Comprehensive Income:				
-Unlisted Company Stocks	<u>-</u>	<u>4,675</u>	<u>59,963</u>	<u>64,638</u>
	<u>\$ 15,256</u>	<u>\$ 4,675</u>	<u>\$ 59,963</u>	<u>\$ 79,894</u>

(b) The methods and assumptions used by the Group to measure fair value are described

as follows:

- i. The Group uses market quotes as fair value input for Level 1 instruments, classified by instrument type as follows:

	<u>Listed Equity Securities</u>
Market Quotes	Closing Price
ii. The investment in Changhua Golf Club Co., Ltd. by the Group is valued using publicly quoted member certificate prices as the input for fair value measurement (Level 2).	
iii. The output of the valuation models is an estimated fair value, which may not reflect all relevant factors of the financial and non-financial instruments held by the Group. Therefore, the estimated fair value is appropriately adjusted based on additional parameters, such as model risk or liquidity risk. According to the Group's fair value measurement policies and related control procedures, the management believes that such adjustments are necessary and appropriate to reasonably represent the fair values of the financial and non-financial instruments in the consolidated balance sheet. The pricing information and parameters used in the valuation process are prudently evaluated and appropriately adjusted based on current market conditions, in accordance with the Group's fair value measurement policies.	
iv. The Group incorporates credit risk adjustments into the fair value measurement of financial and non-financial instruments to reflect both counterparty credit risk and the Company's own credit quality.	

D. There were no transfers between Level 1 and Level 2 during years 2024 and 2023.

E. The following table shows the changes in Level 3 as of December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Beginning Balance	\$ 59,963	\$ 55,323
Gain or Loss Recognized in P/L		
Recognized as Non-operating Income or Expense	-	( 180)
Gain recognized in other comprehensive income	( 21,654)	4,820
Ending Balance	<u>\$ 38,309</u>	<u>\$ 59,963</u>

F. The Group's valuation process for Level 3 investments of illiquid equity instruments involves independent fair value verification by the Group's finance department, using independent sources of data to ensure that the valuation results are consistent with market conditions and represent executable prices. The process includes regular calibration of valuation models, back-testing, updating of model inputs and data, and any other necessary fair value adjustments to ensure that the valuation results are reasonable. The fair value of the bonds payable and convertible bonds redemption rights is valued by external valuers.

G. The quantitative information of significant unobservable input used in the valuation model for Level 3 fair value measurement items and sensitivity analysis of significant unobservable input changes are described as follows: :

	<u>Fair Value at</u> <u>Dec. 31, 2024</u>	<u>Valuation</u> <u>Technique</u>	<u>Significant</u> <u>Unobservable</u> <u>Inputs</u>	<u>Range</u> <u>(Weighted</u> <u>Average)</u>	<u>Relationship</u> <u>between Inputs</u> <u>and Fair Value</u>
Non-derivative Equity Instruments					
Unlisted shares	\$ 1,323	Comparable Company Analysis	Price-to- Book Ratio	0.11~0.29	Higher multiplier premiums lead

Unlisted shares	36,986	Net Asset Value Method	Not Applicable	19.7%	to higher fair values. - Not Applicable
Redemption Rights of Convertible Bonds	-	Binomial Tree Pricing Model	Stock Price Volatility		Higher stock price volatility leads to higher fair values.
	<u>Fair Value at Dec. 31, 2023</u>	<u>Valuation Technique</u>	<u>Significant Unobservable Inputs</u>	<u>Range (Weighted Average)</u>	<u>Relationship between Inputs and Fair Value</u>
Non-derivative Equity Instruments	\$ 551			0.12~0.32	
Unlisted shares		Comparable Company Analysis	Price-to-Book Ratio		Higher multiplier premiums lead to higher fair values.
Unlisted shares	59,412	Net Asset Value Method	Not Applicable		- Not Applicable
Redemption Rights of Convertible Bonds	-	Binomial Tree Pricing Model	Stock Price Volatility	12.2%	Higher stock price volatility leads to higher fair values.

H. The Group has carefully assessed the selection of valuation models and parameters. However, the use of different valuation models or parameters may result in different valuation results. For financial assets and liabilities classified as Level 3, changes in valuation parameters would impact on the current period's profit or loss or other comprehensive income as follows:

			December 31, 2024			
			<u>Recognized in Profit or Loss</u>		<u>Recognized in other Comprehensive Income</u>	
	<u>Input Value</u>	<u>Change</u>	<u>Favorable Impact</u>	<u>Unfavorable Impact</u>	<u>Favorable Impact</u>	<u>Unfavorable Impact</u>
Financial Assets						
Equity Instruments	Price-to-Book Ratio	±5%	\$ -	\$ -	\$ 66	(\$ 66)
Convertible Bonds Redemption Option	Volatility	±5%	-	-	-	-
			<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66</u>	<u>(\$ 66)</u>

			December 31, 2023			
			<u>Recognized in Profit or Loss</u>		<u>Recognized in other Comprehensive Income</u>	
	<u>Input Value</u>	<u>Change</u>	<u>Favorable Impact</u>	<u>Unfavorable Impact</u>	<u>Favorable Impact</u>	<u>Unfavorable Impact</u>
Financial Assets						
Equity Instruments	Price-to-Book Ratio	±5%	\$ -	\$ -	\$ 28	(\$ 28)
Convertible Bonds Redemption Option	Volatility	±5%	-	-	-	-
			<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28</u>	<u>(\$ 28)</u>

### **13. Notes Disclosures**

(1) Significant transactions information

- A. Loans to others: Please refer to Table 1 for details.
- B. Endorsement or guarantees for others: Please refer to Table 2 for details.
- C. Holdings of securities at the end of the period (excluding investments in subsidiaries, associates, and joint control): Please refer to Table 3 for details.
- D. Cumulative purchase or sale of the same securities reaches NT\$300 million or 20% of the paid-in capital: None.
- E. Acquisition of real estate reaches NT\$300 million or 20% of the paid-in capital: None
- F. Disposal of real estate reaches NT\$300 million or 20% of the paid-in capital: None.
- G. Sales or purchases of goods or services to related parties reach NT\$100 million or 20% of the paid-in capital: None.
- H. Receivables from related parties reach NT\$100 million or 20% of the paid-in capital: None.
- I. Derivative transactions: None.
- J. Business relationships and significant transactions between the parent company and its subsidiaries and between the subsidiaries, and the amounts involved: Please refer to Table 4 for details.

(2) Information on Investment in Subsidiary/Affiliate Companies

Name and location of the invested companies (excluding companies invested in Mainland China): Please refer to Table 5 for details.

(3) Mainland China Investment Information

- A. Basic information: please refer to Table 6 for details.
- B. Significant transactions occurred between the invested companies in Mainland China and the Company through a third-party entity or a direct/indirect investment: please refer to Note 13(1) for details on significant transaction information.

(4) Information on Major Shareholders

Information on major shareholders: please refer to Table 7 in the attached notes.



## 14. Segment Information

### (1) General Information

The management of the Group has identified reportable segment based on the information used by the chief operating decision maker in making decisions and has organized its business units into subsidiaries, including Honmyue Enterprise Co., Ltd., Hongyu Textile (Zhejiang) Co., Ltd., Nuwa Enterprise Co., Ltd. The reportable segment of the Group is classified based on the operating companies.

### (2) Measurement of Segment Information

The Group evaluates the performance of its operating segments based on pre-tax income.

### (3) Reconciliation for Segment Income(loss), Assets and Liabilities

A. The segment information provided to the primary operating decision-maker regarding the reportable segments for year 2024 is as follows:

	2024			
	<u>Honmyue</u>	<u>Hongyu Zhejiang</u>	<u>Nuwa</u>	<u>Total</u>
Revenue				
From External Customers	\$ 1,963,373	\$ 648,063	\$ 228,829	\$ 2,840,265
From Internal Customers	<u>129,370</u>	<u>1,207</u>	<u>15,925</u>	<u>146,502</u>
Total Revenue	<u>\$ 2,092,743</u>	<u>\$ 649,270</u>	<u>\$ 244,754</u>	<u>\$ 2,986,767</u>
Segment Pre-tax P/L	<u>\$ 27,033</u>	<u>\$ 105,339</u>	<u>\$ 10,347</u>	<u>\$ 142,719</u>
Segment P/L includes				
Interest Income	<u>\$ 2,419</u>	<u>\$ 346</u>	<u>\$ 100</u>	<u>\$ 2,865</u>
Interest Expense	<u>\$ 21,353</u>	<u>\$ 361</u>	<u>\$ 216</u>	<u>\$ 21,930</u>
Depreciation and Amortization	<u>\$ 50,713</u>	<u>\$ 26,827</u>	<u>\$ 903</u>	<u>\$ 78,443</u>
Income Tax Expense	<u>\$ 2,187</u>	<u>\$ 1,225</u>	<u>\$ 2,283</u>	<u>\$ 5,695</u>

B. The segment information provided to the primary operating decision-maker regarding the reportable segments for year 2023 is as follows:

	2023			
	<u>Honmyue</u>	<u>Hongyu Zhejiang</u>	<u>Nuwa</u>	<u>Total</u>
Revenue				
From External Customers	\$ 1,791,461	\$ 602,333	\$ 192,150	\$ 2,585,944
From Internal Customers	<u>205,150</u>	<u>1,014</u>	<u>8,498</u>	<u>214,662</u>
Total Revenue	<u>\$ 1,996,611</u>	<u>\$ 603,347</u>	<u>\$ 200,648</u>	<u>\$ 2,800,606</u>
Segment Pre-tax P/L	<u>\$ 3,245</u>	<u>(\$ 17,887)</u>	<u>\$ 10,833</u>	<u>(\$ 3,809)</u>
Segment P/L includes				
Interest Income	<u>\$ 5,641</u>	<u>\$ 674</u>	<u>\$ 212</u>	<u>\$ 6,527</u>
Interest Expense	<u>\$ 21,170</u>	<u>\$ 3,603</u>	<u>\$ -</u>	<u>\$ 24,773</u>
Depreciation and Amortization	<u>\$ 53,294</u>	<u>\$ 28,242</u>	<u>\$ -</u>	<u>\$ 81,536</u>
Income Tax Expense	<u>\$ 248</u>	<u>\$ -</u>	<u>\$ 1,530</u>	<u>\$ 1,778</u>

C. The main source of revenue for the Group is the manufacturing, subcontracting, trading, printing, dyeing, finishing, and processing of various cotton, wool, silk, and synthetic fiber fabrics for domestic and international sales.

D. The Group has not allocated the income tax expense to the reporting segments. The amount reported is consistent with the information used by the operating decision-makers.

(4) Adjustment Information for Segment Income Statement:

A. Adjustments to continuing operating segment revenues for the current period are as follows:

	<u>2024</u>	<u>2023</u>
Reportable Segment Revenue	\$ 2,986,767	\$ 2,800,606
Other Segment Revenue	<u>416,014</u>	<u>175,937</u>
Total Operating Segment Revenue	\$ 3,402,781	\$ 2,976,543
Elimination of Intersegment Revenue	<u>( 234,604)</u>	<u>( 290,817)</u>
Consolidated Revenue	<u>\$ 3,168,177</u>	<u>\$ 2,685,726</u>

B. Adjustments to the current period's operating segment profit/loss that should be reported are as follows:

	<u>2024</u>	<u>2023</u>
Reportable Segment Pre-tax Profit/Loss	\$ 142,719	(\$ 3,809)
Other Segment Pre-tax Profit/Loss	<u>( 28,930)</u>	<u>( 37,543)</u>
Total Reportable Segments Pre-tax Income	\$ 113,789	(\$ 41,352)
Elimination of Intersegment Income	<u>-</u>	<u>-</u>
Consolidated Pre-tax Profit/Loss of Operating Segments	<u>\$ 113,789</u>	<u>(\$ 41,352)</u>

(5) Information on Product and Service Segment

External customer revenue is mainly derived from the manufacturing and sales of cotton, wool, silk, and synthetic fiber textiles for domestic and international markets. The detailed composition of the revenue balance is as follows:

	<u>2024</u>	<u>2023</u>
Product Sales Revenue	<u>\$ 3,168,177</u>	<u>\$ 2,685,726</u>

(6) Information on Geographic Segment

Geographic information for the years 2024 and 2023 by location of customers for revenue and by location of assets for non-current assets are presented as follows for the Group:

	<u>2024</u>		<u>2023</u>	
	<u>Revenue</u>	<u>Non-current Assets</u>	<u>Revenue</u>	<u>Non-current Assets</u>
Taiwan	\$ 1,498,200	\$ 883,810	\$ 1,359,932	\$ 916,911
China (Including H.K.)	1,139,674	652,248	938,306	598,047
Other	<u>530,303</u>	<u>-</u>	<u>387,488</u>	<u>-</u>
Total	<u>\$ 3,168,177</u>	<u>\$ 1,536,058</u>	<u>\$ 2,685,726</u>	<u>\$ 1,514,958</u>

Non-current assets refer to property, plant and equipment, lease assets, intangible assets, and other non-current assets, but exclude financial instruments, deposits paid and deferred tax assets.

(7) Information on Major Customers

The Group does not have any single customer whose sales revenue accounts for more than 10% of the total operating revenue in the consolidated income statement.

(Intentionally left blank)

HONMYUE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Loan to Others

January 1 to December 31, 2024

Table 1

(In Thousands of New Taiwan Dollars unless otherwise specified)

<u>No.</u> <u>(Note 1)</u>	<u>Lender</u>	<u>Borrower</u>	<u>Transaction Item</u>	<u>Related Parties</u>	<u>Current Maximum Amount</u>	<u>Ending Balance</u>	<u>Actual Disbursement Amount</u>	<u>Interest Rate Range</u>	<u>Nature of Fund Lending</u> <u>(Note 2)</u>	<u>Business Transaction Amount</u>	<u>Reason for Short-term Financing</u>	<u>Allowance for Doubtful Amount</u>	<u>Collateral</u>		<u>Limit on funds loaned to individual parties</u> <u>(Note 3)</u>	<u>Total credit limit for funds lent</u> <u>(Note 3)</u>	<u>Note</u>
0	The Company	Jiujiang Deyu Textile Technology Co., Ltd	Other Receivable - Related Parties	Yes	\$ 164,175	\$ 134,703	\$ 17,960	2.5%	2	\$ -	Operating Turnover	-	-	-	\$213,764	\$855,058	Note 4
0	The Company	Hongyu Textile Zhejiang Co., Ltd.	Other Receivable - Related Parties	Yes	135,354	134,703	-	2.5%	2	-	Operating Turnover	-	-	-	213,764	855,058	Note 4
0	The Company	Zhejiang Yaoliang Textile Co., Ltd	Other Receivable - Related Parties	-Yes	32,215	-	-	0	1	31,818	Business relationship	-	-	-	31,818	855,058	Note 5

Note 1: Numbering sequence are as follows:

- (1) The Company is shown as '0'.
- (2) The Subsidiaries are numbered in numerical order starting from '1'.

Note 2: The instructions for filling in the nature of the funds loaned are as follows:

- (1) For those with business dealings, please refer to 1.
- (2) For those with a necessary need for short-term working capital, please refer to 2.

Note 3:

- (1) The total amount of funds lent by the Company shall not exceed 40% of the Company's net worth, except for short-term funding necessary between companies or banks, which shall not exceed 10% of the Company's net worth.
- (2) The total amount of funds lent to individual entities shall not exceed 10% of the Company's net worth.
- (3) For foreign companies where the Company holds 100% of the voting rights directly or indirectly, the amount of funds lent shall not exceed 40% of the Company's net worth.
- (4) For companies or banks with business transactions with the Company, the individual lending amount shall not exceed the amount of business transactions between the two parties, whichever is higher. The amount of business transactions refers to the higher amount of purchases or sales between the two parties.

Note 4:

On August 12, 2024, the Board of Directors approved the funding loans to Jiujiang Deyu Textile Technology Co., Ltd and Hongyu Textile Zhejiang Co., Ltd.in the amounts of RMB 30,000 thousand, at the interest rate of 2.5%. (Calculated based on the spot buying and selling exchange rate of RMB to TWD on December 31, 2024, which was 4.4901).

Note 5:

On May 12, 2023, the Board of Directors approved the reclassification of overdue accounts receivable from Zhejiang Yaoliang Textile Co., Ltd. As lending fund.

HONMYUE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

January 1 to December 31, 2024

Table 2

Expressed in thousands of TWD (Except as otherwise indicated)

		<u>Party being endorsed/guaranteed</u>													
No.	Endorser / Guarantor	Relationship with the endorser /guarantor	Limit on endorsements/guarant ees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2024	Outstanding endorsement/guarante e amount at December 31, 2024	Actual amount drawn down	Amount of endorsements/gu arantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/guaranto r company (%)	Ceiling on total amount of endorsements/guarante es provided	Provision of		Provision of			
										Provision of endorsemen ts/guarantee s by parent company to subsidiary	Provision of endorsemen ts/guarantee s by subsidiary to parent company	Provision of endorsemen ts/guarantee s by party in Mainland China	Provision of endorsemen ts/guarantee s by party in Mainland China		
<u>(Note 1)</u>	<u>Company name</u>	<u>Company name</u>	<u>(Note 2)</u>	<u>(Note 3)</u>	<u>(Note 4)</u>	<u>(Note 4)</u>	<u>(Note 4)</u>	<u>(Note 3)</u>	<u>(Note 3)</u>						
0	Honmyue Enterprise Co., Ltd	Jiujiang Deyu TextileTechnology Co., Ltd	2	\$ 855,058	\$ 67,677	\$ 67,352	\$ -	\$ -	3.15%	\$ 1,068,822	Y	N	Y		

Note 1 : Explanation as follows :

- (1).Endorser/ Guarantor : 0
- (2).The invested companies are sequentially numbered by company type starting from 1

Note 2 : The relationships between the endorser and the guaranteed company are classified into the following seven types.

- (1)Having business relationship.
- (2)The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed company.
- (3)The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company
- (4)The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.
- (5)The Company engaged in mutual insurance according to contractual term between the same industry or co-applicants based on the needs of contracting projects.
- (6) The company that endorsed by all shareholders in accordance with their respective shareholding ratios due to joint investment.
- (7)The joint and several guarantee for pre-sale housing sales contracts in accordance with consumer protection laws among the same industry.

Note 3 : According to the regulations of endorsement and guarantee :

- (1)The total endorsements and guarantees of the Company to others should not be in excess 50 % of the Company's net value.
- (2) The company directly and indirectly holds more than 100% of the ordinary shares shall not exceed 40% of the current net value.
- (3)The maximum endorsements and guarantees of the Company to a single party should not be in excess of 10% of the Company's net value.

Note 4 : The figures in this table are presented in New Taiwan Dollars (NTD), with a conversion rate of 4.4901 for RMB.

HONMYUE ENTERPRISE CO., LTD. AND SUBSIDIARIES  
End-of-Period Holdings of Marketable Securities  
(Excluding Investments in Subsidiaries, Associated Companies, and Joint Ventures)

January 1 to December 31, 2024

Table 3

(In Thousands of New Taiwan Dollars unless otherwise specified)

<u>Investee Company</u>	<u>Type and Name of Securities Held</u>	<u>Relationship with the Issuer of the Securities Held</u>	<u>Accounting Category</u>	<u>End-of-Period</u>			<u>Note</u>
				<u>Number of Shares (Thousands)</u>	<u>Carrying Amount</u>	<u>Equity Ownership</u>	<u>Fair Value</u>
Wenfa Development L.L.C.	Stock/China Petrochemical Development Corp.	No	Fair value adjustments for financial assets at fair value through profit or loss - current	421	\$ 5,700	-	\$ 3,095
Wenfa Development L.L.C.	Stock/K Laser Technology Inc.	No	Fair value adjustments for financial assets at fair value through profit or loss - current	80	4,230	-	2,660
Wenfa Development L.L.C.	Stock/ CyberTAN Technology, Inc	No	Fair value adjustments for financial assets at fair value through profit or loss - current	100	3,562	-	3,365
Wenfa Development L.L.C.	Stock/Baotek Industrial Materials Co., Ltd.	No	Fair value adjustments for financial assets at fair value through profit or loss - current	110	6,233		4,334
			Valuation Adjustment		( 6,271)		
					<u>\$ 13,454</u>		
Honmyue Enterprise Co., Ltd.	Stock/Grand and Great Corporation Limited	No	Fair value adjustments for financial assets at fair value through other comprehensive income - non-current	3,000	\$ 91,603	7.14	\$ 36,986
Honmyue Enterprise Co., Ltd.	Stock/Changhua Golf Club Co., Ltd.	No	Fair value adjustments for financial assets at fair value through other comprehensive income - non-current	60	3,820	0.16	5,375
Honmyue Enterprise Co., Ltd.	Stock/Yuan Ta Fiber Co., Ltd.	No	Fair value adjustments for financial assets at fair value through other comprehensive income - non-current	-	1,000	10.00	1,323
Hongyu Holdings L.L.C.	AKKO Global Stock Ledger	No	Fair value adjustments for financial assets at fair value through other comprehensive income - non-current	-	-	-	-
			Valuation Adjustment		( 52,739)		
					<u>\$ 43,684</u>		

HONMYUE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Significant Transactions with and Among Subsidiaries

January 1 to December 31, 2024

Table 4

(In Thousands of New Taiwan Dollars unless otherwise specified)

						<u>Business Transactions</u>	
<u>No.</u> <u>(Note 1)</u>	<u>Company</u>	<u>Counterparty</u>	<u>Relationship</u> <u>(Note2)</u>	<u>Account</u>	<u>Amount (Note 4and Note5)</u>	<u>Transaction Terms</u>	<u>Ratio to Total Consolidated</u> <u>Revenue or Total Assets (Note 3)</u>
0	Honmyue Enterprise Co., Ltd.	Hongyu Textile Zhejiang Co., Ltd.	1	Sales	\$ 82,306	Monthly settlement with 90-day T/T collection	2.60%
0	Honmyue Enterprise Co., Ltd.	Hongyu Textile Zhejiang Co., Ltd.	1	Accounts Receivable	11,455	Monthly settlement with 90-day T/T collection	0.29%
0	Honmyue Enterprise Co., Ltd.	Nuwa Enterprise Co., Ltd.	1	Sales	44,635	Monthly settlement with 90-day T/T collection	1.41%
0	Honmyue Enterprise Co., Ltd.	Nuwa Enterprise Co., Ltd.	1	Accounts Receivable	10,530	Monthly settlement with 90-day T/T collection	0.27%
0	Honmyue Enterprise Co., Ltd.	Nuwa Enterprise Co., Ltd.	1	Purchase	16,827	Monthly settlement with 90-day T/T collection	0.53%
0	Honmyue Enterprise Co., Ltd.	Utex Innovation Co., Ltd.	1	Processing Fees	67,318	Monthly settlement with 90-day T/T payment	2.12%
0	Honmyue Enterprise Co., Ltd.	Utex Innovation Co., Ltd.	1	Other Payable	12,843	Monthly settlement with 90-day T/T collection	0.33%
0	Honmyue Enterprise Co., Ltd.	Jiujiang Deyu TextileTechnology Co., Ltd	1	Other Payable	17,960	Loan with principal repayable in full upon maturity	0.46%

Note 1: Numbering sequence for parent company and subsidiaries are as follows:

(1) The Company is shown as '0'.

(2) The Subsidiaries are numbered in numerical order starting from '1'.

Note 2: The relationship with the trading party can be categorized as follows:

(1) The parent company to a subsidiary.

(2) A subsidiary to the parent company.

(3) A subsidiary to another subsidiary.

(4) The parent company to an equity method investee.

Note 3: For the calculation of the ratio of transaction amount to total revenue or total assets, if it is an item of assets and liabilities, the calculation is based on the end-of-period balance as a percentage of total assets. If it is an item of income and expenses, the calculation is based on the accumulated amount as a percentage of total revenue at the end of the interim period.

Note 4: Transactions with an amount less than NTD 10 million do not require disclosure.

Note 5: Transactions have been offset in the consolidated financial statements.

HONMYUE ENTERPRISE CO., LTD. AND SUBSIDIARIES  
Information on Investee Company (Excluded Investee Company in Mainland China)  
January 1 to December 31, 2024

Table 5

(In Thousands of New Taiwan Dollars unless otherwise specified)

<u>Investor</u>	<u>Investee</u>	<u>Location</u>	<u>Main Business Activities</u>	<u>Initial Investment Amount</u>		<u>Shares Held at Dec. 31, 2024</u>			<u>Investee's Net Income for the Period</u>	<u>Recognized Investment Gain/Loss for the Period</u>	<u>Note</u>
				<u>Balance at End of 2024</u>	<u>Balance at End of 2023</u>	<u>Number of Shares (Thousands)</u>	<u>Equity Ownership (%)</u>	<u>Carrying Amount</u>			
Honmyue Enterprise Co., Ltd.	Hongyu Holdings L.L.C.	U.S.A.	Professional Investment	\$ 681,716	\$ 681,716	-	100.00	\$ 566,787	\$ 102,592	\$ 102,592	Subsidiary (Note1)
Honmyue Enterprise Co., Ltd.	Wenfa Development L.L.C.	Taiwan	Professional Investment and Medical Equipment Retail Industry	67,546	60,000	-	100.00	75,476	6,145	6,145	Subsidiary (Note1)
Honmyue Enterprise Co., Ltd.	Utex Innovation Co., Ltd.	Taiwan	Weaving, Dyeing, and Finishing of High-End Fabric	208,000	208,000	10,800	90.00	60,931	( 9,989)	( 8,990)	Subsidiary
Hongyu Holdings L.L.C.	Hongde Development Co., Ltd.	H.K.	Professional Investment	60,580	60,580	-	38.17	-	-	-	Equity method valuation (Note1)
Wenfa Development L.L.C.	Nuwa Enterprise Co., Ltd.	Taiwan	Outsourced Fabric Manufacturing and Sales	28,000	28,000	2,800	70.00	37,511	8,063	5,644	Subsidiary
Wenfa Development L.L.C.	Honglongfa Development Co., Ltd.	Taiwan	Professional Investment	-	188	-	-	-	-	-	Equity method Valuation (Note 2)

Note 1: As a limited company, the Company does not have a share count.

Note 2: The completion of liquidation has been approved by Taiwan Changhua District Court on May 9, 2024.



HONMYUE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Information of Mainland China Investments

January 1 to December 31, 2024

Table 6

(In Thousands of New Taiwan Dollars unless otherwise specified)

<u>Investee in Mainland China</u>	<u>Main Business Activities</u>	<u>Paid-in Capital (Note)</u>	<u>Investment Method (Note 1)</u>	<u>Beginning Accumulated Investment Amount Transferred</u>	<u>Investment Outflow or Inflow in the Period</u>		<u>Ending Accumulated Investment amount Transferred from Taiwan (Note 8).</u>	<u>Investee's Net Income (Loss) for the Period</u>	<u>Equity Ownership (%)</u>	<u>Recognized Investment Gain or Loss for the Period</u>	<u>Ending Investment Carrying Amount</u>	<u>Cumulative Investment Returns Repatriated as of End of the Period</u>	<u>Note</u>
					<u>Outflow</u>	<u>Inflow</u>							
Hongyu Textile Zhejiang Co., Ltd.	Manufacturing and sales of cotton silk fiber products and finishing processing.	\$ 560,624	2	\$ 536,721	\$ -	\$ -	\$ 536,721	\$ 102,592	100.00	\$ 102,592	\$ 566,917	\$ -	Note 3 and 7
Zhejiang Yaoliang Textile Co., Ltd.	Weaving, dyeing, and finishing processing of high-end textile fabrics.	55,735	2	65,692	-	-	65,692	-	38.17	-	-	-	Note 4
Jiujiang Deyu Textile Technology Co., Ltd.	Manufacturing and sales of cotton silk fiber products and finishing processing.	673,515	1	497,590	154,730	-	652,320	( 17,668)	100.00	( 17,668)	606,295	-	Note 5
Jiujiang Hongzhi Textile Technology Co., Ltd.	Weaving, dyeing, and finishing processing of high-end textile fabrics.	44,901	3	-	-	-	-	( 2,175)	70.00	( 1,523)	29,908	-	Note 6

Note 1:

(1) Direct investment in mainland China.

(2) Investment in mainland China through a third-party company, Hongyu Holdings L.L.C.

(3) Investment from Hongyu Textile Zhejiang Co., Ltd

(4) Other methods

Note 2: The relevant figures in this table involve foreign currencies and are converted to New Taiwan Dollars at the exchange rates on the balance sheet date.

Note 3: The actual paid-in capital is USD 17,100 thousand. The accumulated outbound investment amount is USD 14,242 thousand and JPY 299,876 thousand.

Note 4: The actual paid-in capital is USD 1,700 thousand. The accumulated outbound investment amount is USD 2,000 thousand.

Note 5: The actual paid-in capital is RMB 150,000 thousand, and the accumulated outbound investment amount is RMB 150,000 thousand.

Note 6: The actual paid-in capital is RMB 10,000 thousand, and the accumulated outbound investment amount is RMB 7,000 thousand.

Note 7: The investment income or loss recognized in this period is audited by the accounting firm of the Taiwan parent company.

Note 8: The accumulated outbound investment amount from Taiwan at the end of this period is converted at the original investment exchange rate.

HONMYUE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Information of Mainland China Investments

January 1 to December 31, 2024

Table 6

(In Thousands of New Taiwan Dollars unless otherwise specified)

<u>Company</u>	<u>Accumulated Investment Amount Transferred from Taiwan at Dec. 31, 2024</u>	<u>Investment Amount Approved by the Investment Commission, Ministry of Economic Affairs</u>	<u>Investment Limit to China according to the regulations of Investment Commission, Ministry of Economic Affairs</u>
Honmyue Enterprise Co., Ltd.	\$ 1,268,953	\$ 1,305,499	\$ 1,282,586

Note 1: The relevant figures in this table involve foreign currencies and are converted to New Taiwan Dollars at the exchange rates on the balance sheet date.

Note 2: The investment limit in mainland China is calculated in accordance with the principles for the examination of investment or technical cooperation in mainland China established by the Ministry of Economic Affairs (60% of the net amount).

Note 3: The cumulative amount of investment transferred from Taiwan to mainland China at the end of this period is US\$16,242 thousand, JPY 299,876 thousand, and RMB 150,000 thousand. The approved investment amount by the Investment Commission of the Ministry of Economic Affairs is US\$39,820 thousand, with exchange rates of 32.785 for USD, 0.2099 for JPY, and 4.4901 for RMB.

HONMYUE ENTERPRISE CO., LTD. AND SUBSIDIARIES

Information on Major Shareholders

January 1 to December 31, 2024

Table 7

<u>Shareholder</u>	<u>Shares</u>	
	<u>Number of Shares (Thousands)</u>	<u>Equity Ownership (%)</u>
Zhen Hong Investment Co., Ltd.	11,428	8.79

If the Company obtains this table information from Taiwan Depository & Clearing Corporation (TDCC), the following notes should be provided:

Note 1:

The major shareholder information in this table is calculated by TDCC based on the total number of ordinary and preferred shares (including treasury stocks) that shareholders have completed transfer without physical registration as of the last business day of each quarter and have reached 5% or more. The actual number of shares issued and outstanding disclosed in the Company's financial report may differ due to different calculation bases.

Note 2:

If the above data is related to shares held under trust, it will be disclosed in individual trust accounts opened by the trustee. As for the reporting of internal shareholding exceeding 10% of the total shares outstanding according to securities laws and regulations, it includes the shares held by the person and those entrusted to them with the decision-making power over trust property. Relevant information on internal shareholding reporting can be found on the Public Information Observation System.