

ECLAT TEXTILE CO., LTD.

Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2025 and 2024**

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The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and financial statements, the Chinese version shall prevail.

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Independent Auditors' Report

To the Board of Directors of Eclat Textile Co., Ltd.:

Opinion

We have audited the financial statements of Eclat Textile Co., Ltd. ("the Company"), which comprise the balance sheets as of December 31, 2025 and 2024, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgment, the key audit matters that should be disclosed in this audit report are as follows:

Revenue Recognition Timing and Cut-off

Please refer to note 4(p) for details of the accounting policies of the recognition of revenue and note 6(q) revenue from contracts with customers.

How the matter was addressed in our audit

Revenue recognition of the Company is a matter of significant concern to users and recipients of the financial report. Accordingly, testing of revenue recognition timing constitutes a key assessment item in our audit of the Company's financial statements.

Our principal audit procedures included:

Testing the design and implementation of internal control over revenue recognition, inspecting the accuracy of revenue recognition, reconciling between sales systems and general ledger, implementing cut off test of revenues and further inspecting related transaction documents to ensure that the revenue is recorded in the appropriate period.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Hui-Chih Kou and Hsin-Yi Kuo.

KPMG

Taipei, Taiwan (Republic of China)
March 5, 2026

Notes to Readers

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

The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements Originally Issued in Chinese)
ECLAT TEXTILE CO., LTD.

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Balance Sheets

December 31, 2025 and 2024

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2025		December 31, 2024				December 31, 2025		December 31, 2024	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 1,336,510	4	2,345,771	7	2100	Short-term borrowings (notes 6(j)(t))	\$ 220,010	1	-	-
1150	Notes receivable (note 6(b))	17,518	-	17,451	-	2150	Notes payable (note 6(t))	118,726	1	100,093	-
1170	Accounts receivable, net (note 6(b))	3,073,829	9	6,532,032	20	2170	Accounts payable (note 6(t))	1,810,983	5	1,900,560	6
1200	Other receivables (note 6(c))	1,648,219	5	15,060	-	2180	Accounts payable to related parties (notes 6(t) and 7)	367,124	1	354,429	1
1210	Other receivables due from related parties (note 7)	-	-	395,323	1	2200	Other payables (notes 6(m)(r))	1,013,940	3	1,006,448	3
1310	Inventories, net (note 6(d))	5,096,417	15	4,629,889	14	2230	Current tax liabilities	757,993	2	831,705	2
1470	Other current assets (note 6(i))	6,692,660	19	5,143,481	15	2280	Current lease liabilities (notes 6(k)(t))	14,235	-	11,886	-
						2399	Other current liabilities, others	307,318	1	309,554	1
	Total current assets	17,865,153	52	19,079,007	57		Total current liabilities	4,610,329	14	4,514,675	13
Non-current assets:						Non-current liabilities:					
1550	Investments accounted for using equity method (note 6(e))	8,130,638	24	5,870,964	17	2570	Deferred tax liabilities (note 6(n))	52,486	-	100,443	1
1600	Property, plant and equipment (notes 6(f) and 7)	7,341,438	21	7,625,430	23	2580	Non-current lease liabilities (notes 6(k)(t))	12,694	-	10,739	-
1755	Right-of-use assets (note 6(g))	28,390	-	23,884	-	2645	Guarantee deposits received	6,442	-	6,469	-
1760	Investment property, net (note 6(h))	743,211	2	752,694	2		Total non-current liabilities	71,622	-	117,651	1
1780	Intangible assets	9,061	-	12,789	-		Total liabilities	4,681,951	14	4,632,326	14
1840	Deferred tax assets (note 6(n))	14,235	-	13,222	-		Equity (notes 6(o) and(v)):				
1975	Net defined benefit asset, non-current (note 6(m))	176,607	1	163,930	1	3110	Ordinary shares	2,743,671	8	2,743,671	8
1990	Other non-current assets, others (note 6(i))	10,355	-	12,067	-	3200	Capital surplus	3,769,803	11	3,769,803	11
	Total non-current assets	16,453,935	48	14,474,980	43		Retained earnings:				
						3310	Legal reserve	5,993,685	17	5,326,981	16
						3350	Unappropriated retained earnings	16,943,357	49	16,753,936	50
							Total retained earnings	22,937,042	66	22,080,917	66
						3490	Other equity, others	186,621	1	327,270	1
							Total equity	29,637,137	86	28,921,661	86
Total assets		\$ 34,319,088	100	33,553,987	100		Total liabilities and equity	\$ 34,319,088	100	33,553,987	100

See accompanying notes to the financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
ECLAT TEXTILE CO., LTD.

Statements of Comprehensive Income

For the Years Ended December 31, 2025 and 2024

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

		2025		2024	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(q) and 7)	\$ 37,724,881	100	36,606,183	100
5000	Operating costs (notes 6(d)(f)(g)(k)(m)(r), 7 and 12)	28,158,419	75	26,521,555	72
	Gross profit from operations	9,566,462	25	10,084,628	28
	Operating expenses (notes 6(f)(g)(h)(k)(m)(r), 7 and 12):				
6100	Selling expenses	1,684,020	4	1,614,908	4
6200	Administrative expenses	1,057,903	3	1,032,272	3
6300	Research and development expenses	167,328	-	164,550	1
	Total operating expenses	2,909,251	7	2,811,730	8
	Net operating income	6,657,211	18	7,272,898	20
	Non-operating income and expenses (notes 6(f)(k)(l)(s), 7 and 12):				
7010	Other income	32,235	-	31,297	-
7020	Other gains and losses, net	(256,860)	(1)	512,618	1
7050	Finance costs	(8,629)	-	(468)	-
7060	Share of profit of associates accounted for using equity method, net	301,493	1	296,277	1
7100	Interest income	149,991	-	153,362	1
	Total non-operating income and expenses	218,230	-	993,086	3
7900	Profit before income tax	6,875,441	18	8,265,984	23
7950	Less: Income tax expenses (note 6(n))	1,360,504	3	1,625,132	5
8200	Profit (note 6(v))	5,514,937	15	6,640,852	18
8300	Other comprehensive income:				
8310	Items that may not be reclassified subsequently to profit or loss:				
8311	Gains (losses) on remeasurements of defined benefit plans (note 6(m))	6,920	-	24,361	-
8330	Share of other comprehensive income of subsidiaries accounted for using equity method, components of other comprehensive income that will not be reclassified	(1,491)	-	1,826	-
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	Total items that will not be reclassified to profit or loss	5,429	-	26,187	-
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation	(176,751)	(1)	359,677	1
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(n))	36,102	-	(71,936)	-
	Total items that will be reclassified to profit or loss (note 6(o))	(140,649)	(1)	287,741	1
8300	Other comprehensive income (after tax)	(135,220)	(1)	313,928	1
8500	Total comprehensive income	\$ 5,379,717	14	6,954,780	19
	Earnings per share (note 6(p))				
9750	Basic earnings per share (NT dollars)	\$ 20.10		24.20	
9850	Diluted earnings per share (NT dollars)	\$ 20.09		24.20	

See accompanying notes to the financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
ECLAT TEXTILE CO., LTD.

Statements of Changes in Equity
For the Years Ended December 31, 2025 and 2024
(Expressed in Thousands of New Taiwan Dollars)

	Retained Earnings					Other Equity	
	Ordinary share	Capital surplus	Legal reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Total equity
Balance at January 1, 2024	\$ 2,743,671	3,769,547	4,809,262	14,308,572	19,117,834	39,529	25,670,581
Profit	-	-	-	6,640,852	6,640,852	-	6,640,852
Other comprehensive income (loss)	-	-	-	26,187	26,187	287,741	313,928
Total comprehensive income (loss)	-	-	-	6,667,039	6,667,039	287,741	6,954,780
Appropriation and distribution of retained earnings:							
Legal reserve appropriated	-	-	517,719	(517,719)	-	-	-
Cash dividends of ordinary share	-	-	-	(3,703,956)	(3,703,956)	-	(3,703,956)
Other changes in capital surplus:							
Other changes in capital surplus	-	256	-	-	-	-	256
Balance at December 31, 2024	2,743,671	3,769,803	5,326,981	16,753,936	22,080,917	327,270	28,921,661
Profit	-	-	-	5,514,937	5,514,937	-	5,514,937
Other comprehensive income (loss)	-	-	-	5,429	5,429	(140,649)	(135,220)
Total comprehensive income (loss)	-	-	-	5,520,366	5,520,366	(140,649)	5,379,717
Appropriation and distribution of retained earnings:							
Legal reserve appropriated	-	-	666,704	(666,704)	-	-	-
Cash dividends of ordinary share	-	-	-	(4,664,241)	(4,664,241)	-	(4,664,241)
Balance at December 31, 2025	\$ 2,743,671	3,769,803	5,993,685	16,943,357	22,937,042	186,621	29,637,137

See accompanying notes to the financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

ECLAT TEXTILE CO., LTD.**Statements of Cash Flows****For the Years Ended December 31, 2025 and 2024****(Expressed in Thousands of New Taiwan Dollars)**

	<u>2025</u>	<u>2024</u>
Cash flows from (used in) operating activities:		
Profit before income tax	\$ 6,875,441	8,265,984
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	357,385	364,919
Amortization expense	17,326	10,350
Interest expense	8,629	468
Interest income	(149,991)	(153,362)
Share of loss (profit) of associates accounted for using equity method	(301,493)	(296,277)
Loss (gain) on disposal of property, plant and equipment	26	(1,726)
Property, plant and equipment transferred to expenses	-	746
Loss (gain) on disposal of non-current assets held for sale	-	(56,697)
Gain on lease modification	-	(334)
Total adjustments to reconcile profit	<u>(68,118)</u>	<u>(131,913)</u>
Changes in operating assets and liabilities:		
Decrease (increase) in notes receivable	(67)	2,008
Decrease (increase) in accounts receivable	1,853,599	(1,853,621)
Decrease (increase) in inventories	(466,528)	(971,290)
Decrease (increase) in other current assets	(66,228)	13,981
Decrease (increase) in other operating assets	(5,757)	(22,503)
Increase (decrease) in notes payables	18,633	9,790
Increase (decrease) in accounts payables	(89,577)	474,811
Increase (decrease) in accounts payable to related parties	12,695	67,832
Increase (decrease) in other payables	5,888	97,931
Increase (decrease) in other current liabilities	<u>(2,236)</u>	<u>114,697</u>
Total changes in operating assets and liabilities	<u>1,260,422</u>	<u>(2,066,364)</u>
Total adjustments	<u>1,192,304</u>	<u>(2,198,277)</u>
Cash inflow generated from operations	8,067,745	6,067,707
Interest received	138,486	168,797
Interest paid	(7,026)	(94)
Income taxes paid	<u>(1,447,084)</u>	<u>(2,281,078)</u>
Net cash flows from operating activities	<u>6,752,121</u>	<u>3,955,332</u>
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	(2,136,423)	-
Proceeds from disposal of non-current assets held for sale	-	82,560
Acquisition of property, plant and equipment	(47,404)	(235,960)
Proceeds from disposal of property, plant and equipment	179	10,641
Increase in refundable deposits	(50)	-
Decrease in refundable deposits	-	737
Decrease in other receivables due from related parties	395,323	598,963
Acquisition of intangible assets	(13,598)	(10,045)
Increase in other financial assets	(1,500,000)	(500,000)
Decrease in other non-current assets	<u>1,762</u>	<u>98,918</u>
Net cash flows from (used in) investing activities	<u>(3,300,211)</u>	<u>45,814</u>
Cash flows from (used in) financing activities:		
Increase in current borrowings	281,470	10,000
Decrease in current borrowings	(61,460)	(10,000)
Increase in guarantee deposits received	-	23
Decrease in guarantee deposits received	(27)	-
Payment of lease liabilities	(16,913)	(20,510)
Cash dividends paid	(4,664,241)	(3,703,956)
Other financing activities	<u>-</u>	<u>256</u>
Net cash flows from (used in) financing activities	<u>(4,461,171)</u>	<u>(3,724,187)</u>
Net increase (decrease) in cash and cash equivalents	(1,009,261)	276,959
Cash and cash equivalents at beginning of period	<u>2,345,771</u>	<u>2,068,812</u>
Cash and cash equivalents at end of period	<u>\$ 1,336,510</u>	<u>2,345,771</u>

See accompanying notes to the financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

ECLAT TEXTILE CO., LTD.

Notes to the Financial Statements

For the years ended December 31, 2025 and 2024

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Eclat Textile Co., Ltd. (the “Company”) was incorporated on November 28, 1977. The Company has established the Hsi-Chou Plant and Da-Shan Plant in Miao-li, and Da-Yuan Plant in Taoyuan. The Company has mainly been involved in the manufacturing and marketing of knitwear.

(2) Approval date and procedures of the financial statements

The financial statements were approved by the Board of Directors and issued on March 5, 2026 .

(3) New standards, amendments and interpretations adopted

- (a) The impact of the IFRS Accounting Standards endorsed by the Financial Supervisory Commission (hereinafter referred to as FSC), R.O.C. which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2025:

- Amendments to IAS 21 “Lack of Exchangeability”

- (b) The impact of IFRS Accounting Standards endorsed by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2026, would not have a significant impact on its financial statements:

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”
- Annual Improvements to IFRS Accounting Standards
- Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”

- (c) The impact of IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Eclat Textile Co., Ltd.
Notes to the Financial Statements

Standards or Interpretations	Content of amendment	Effective date issued by IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities. ● A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined ‘operating profit’ subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company’s main business activities. ● Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards. ● Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes.	January 1, 2027 (Note)

Note: On September 25, 2025, the FSC issued a press release announcing that Taiwan will adopt IFRS 18 beginning in 2028. Entities that need to adopt the new standard earlier may do with the endorsement of the FSC.

Eclat Textile Co., Ltd.

Notes to the Financial Statements

The Company is evaluating the impact on its financial position and financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Company completes its evaluation.

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures” and amendments to IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Amendments to IAS 21 “Translation to a Hyperinflationary Presentation Currency”

(4) Summary of material accounting policies

The material accounting policies presented in the financial statements are summarized below. Except for note 3, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

(a) Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(b) Basis of preparation

(i) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the net defined benefit assets and liabilities are measured at the fair value of the plan assets, less the present value of the defined benefit obligation, limited as explained in note 4 (q).

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entity operates. The financial statements are presented in New Taiwan Dollars (NTD), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Foreign Currencies

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Eclat Textile Co., Ltd.
Notes to the Financial Statements

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the Company's presentation currency (NTD) at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the Company's presentation currency (NTD) at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

The Company classifies the asset as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Company classifies the liability as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Company does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Term deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

Eclat Textile Co., Ltd.
Notes to the Financial Statements

(f) Financial instruments

Accounts receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at amortized cost. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivables, refundable deposits and other financial assets).

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- bank deposits for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable is always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Eclat Textile Co., Ltd.

Notes to the Financial Statements

The Company considers a financial asset to be in default when the financial asset is more than 120 days past due.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost is credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or delay of payments;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

3) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Eclat Textile Co., Ltd.
Notes to the Financial Statements

(ii) Financial liabilities

1) Financial liabilities

Financial liabilities are classified as measured at amortized cost.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

2) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

3) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from business acquisition less any accumulated impairment losses.

The financial statements include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases.

Gains and losses resulting from the transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate. When the Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

Eclat Textile Co., Ltd.
Notes to the Financial Statements

(i) Investment in subsidiaries

In preparing the financial statements, the Company appraises its investees by using equity method. Under equity method, current income and other comprehensive income from financial statement is the same as the consolidated income and other comprehensive income attributable to parent. Shareholders' equity is the same as the consolidated shareholders' equity.

The Company treated the changes of subsidiaries' equity as transactions among owners.

(j) Investment property

Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(k) Property, plant, and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1) Buildings	3 to 60 years
2) Machinery	2 to 15 years
3) Transportation equipment	5 years
4) Office equipment	5 to 9 years
5) Miscellaneous equipment	3 to 15 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Eclat Textile Co., Ltd.
Notes to the Financial Statements

(iv) Reclassified to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner occupied to investment property.

(l) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments; including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is subsequently increased to reflect the accretion of interest using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the assessment of a purchase option for the underlying asset; or
- there is a change of its assessment on whether it will exercise an extension or termination option; or
- there is any lease modification

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Notes to the Financial Statements

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'Rental income'.

(m) Intangible assets

(i) Recognition and measurement

Other intangible assets acquired by the Company and have finite useful lives are measured at cost less accumulated amortization.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

Software: 2 to 5 years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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Notes to the Financial Statements

(n) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(o) Provisions

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Carbon fees levied in accordance with Taiwan's Climate Change Response Act and Regulations Governing the Collection of Carbon Fees are recognized when the annual greenhouse gas emissions are probably to exceed the threshold. The provision for the carbon fee is measured based on the volume of greenhouse gas emissions incurred that exceeds the statutory threshold, using the rate expected to be applied, during the reporting period.

(p) Revenue recognition

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer.

(i) Sale of goods

The Company manufactures and sells flexible textiles and clothing. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

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A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

(ii) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(r) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

The Company has determined that interest and penalties related to income taxes, including uncertain

Eclat Textile Co., Ltd.

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tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

The Company has determined that the global minimum top-up tax – which it is required to pay under Pillar Two legislation – is an income tax in the scope of IAS 12. The Company has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction that affects neither accounting nor taxable profits (losses) and does not give rise to equal taxable and deductible temporary differences;
- (ii) temporary differences related to investments in subsidiaries and associates that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(s) Earnings per share

The Company discloses its basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

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Notes to the Financial Statements

(t) Operating segments

The Company has already disclosed the segment information in the consolidated financial statement; therefore, the Company need not disclose the segment information again in the financial statement.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

In preparing the financial statements, management has made judgments and estimates about the future, including climate-related risks and opportunities, that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and are consistent with the Company's risk management and climate-related commitments where appropriate. Revisions to estimates are recognized prospectively in the period of the change and future periods.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2025	December 31, 2024
Cash	\$ 1,061	2,450
Bank deposits	1,335,449	2,343,321
Cash and cash equivalents	<u>\$ 1,336,510</u>	<u>2,345,771</u>

Please refer to note 6(t) for the exchange risk, interest rate risk, and sensitivity analysis of the financial assets and liabilities of the Company.

(b) Notes receivable and accounts receivable

	December 31, 2025	December 31, 2024
Notes receivable — operating activities	\$ 17,518	17,451
Accounts receivable	3,097,915	6,556,118
Less: allowance for doubtful accounts	(24,086)	(24,086)
Total	<u>\$ 3,091,347</u>	<u>6,549,483</u>

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The Company applies the simplified approach to provide for its expected credit losses, which means applying a lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward looking information, including macroeconomic and relevant industry information.

The loss allowance provisions for the notes and accounts receivable of the Company were determined as follows:

	December 31, 2025		
	Gross carrying amount	Weighted-average credit loss rate	Expected credit loss
Current	\$ 2,863,999	0%~2.1%	15,378
Within 30 days past due	220,842	0.5%~2.1%	1,709
31~120 days past due	29,249	0.5%~100%	5,656
Over 121 days past due	1,343	100%	1,343
	\$ 3,115,433		24,086

	December 31, 2024		
	Gross carrying amount	Weighted-average credit loss rate	Expected credit loss
Current	\$ 5,702,903	0%~1.8%	17,356
Within 30 days past due	863,246	0.4%~1.8%	5,505
31~120 days past due	6,973	0.4%~100%	778
Over 121 days past due	447	100%	447
	\$ 6,573,569		24,086

None of notes receivable and accounts receivable held by the Company needed to increase provision for losses due to an increase in overdue credit risk for the years ended December 31, 2025 and 2024.

None of notes receivable and accounts receivable held by the Company were pledged or collateralized as of December 31, 2025 and 2024.

Accounts receivable of the Company had been insured accounts receivable credit risk. The insured amounts were \$2,971,477 thousand as of December 31, 2024. Guaranteed fraction was 90% of reviewed credit of policyholder, the recoverable amount of the insurance was considered when deciding impairment amount of accounts receivable.

The Company has signed accounts receivable factoring contracts without recourse with financial institutions. As stated in the contract, the Company does not have to bear the risks of uncollectable accounts receivables but the loss incurred due to commercial arguments, and hence meets the criteria of derecognition of financial assets. Factored accounts receivables which were not due as of the report date were as follows:

Eclat Textile Co., Ltd.
Notes to the Financial Statements

December 31, 2025							
Factoring financial institution	Factoring credit amount	Amount Derecognized	Acceptable advances	Amount collected in advance	Transferred to other receivables (Note)	Interest rate	Pledged items
E.Sun Bank	\$ <u>6,473,150</u>	<u>1,889,909</u>	<u>1,214,942</u>	<u>295,136</u>	<u>1,594,773</u>	<u>4.02%</u>	None
CTBC Bank	\$ <u>4,470,918</u>	<u>1,089,250</u>	<u>1,033</u>	<u>1,079,419</u>	<u>9,831</u>	<u>4.15%-4.22%</u>	None
December 31, 2024							
Factoring financial institution	Factoring credit amount	Amount Derecognized	Acceptable advances	Amount collected in advance	Transferred to other receivables (Note)	Interest rate	Pledged items
E.Sun Bank	\$ <u>4,957,092</u>	<u>-</u>	<u>4,957,092</u>	<u>-</u>	<u>-</u>	<u>-</u>	None
CTBC Bank	\$ <u>4,042,391</u>	<u>-</u>	<u>4,042,391</u>	<u>-</u>	<u>-</u>	<u>-</u>	None

Note: According to the accounts receivable purchase agreements or the approval letters issued by the factoring financial institutions, the accounts receivable were factored without recourse. The funds are transferred to the appointed reserve accounts or directly to the factoring financial institutions.

(c) Other receivables

	December 31, 2025	December 31, 2024
Other receivables — factoring of accounts receivable	\$ 1,604,604	-
Other receivables — interest income	21,191	7,783
Others	<u>22,424</u>	<u>7,277</u>
	\$ <u>1,648,219</u>	<u>15,060</u>

None of other receivables held by the Company were past due or impaired as of December 31, 2025 and 2024.

(d) Inventories

	December 31, 2025	December 31, 2024
Raw materials (including raw materials in transit)	\$ 2,972,132	2,727,096
Supplies	808,252	724,541
Work in progress	1,018,054	911,645
Finished goods	<u>297,979</u>	<u>266,607</u>
	\$ <u>5,096,417</u>	<u>4,629,889</u>

For the years ended December 31, 2025 and 2024, the Company recognized inventory costs as part of cost of goods sold and expenses amounting to \$28,158,419 thousand and \$26,521,555 thousand, respectively. There were no recognized loss of inventory price due to write downs from inventories to net realizable value for 2025 and 2024.

None of inventories held by the Company were pledged as of December 31, 2025 and 2024.

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(e) Investments accounted for using equity method

A summary of the Company's financial information for investments accounted for using the equity method at the reporting date is as follows:

	December 31, 2025	December 31, 2024
Subsidiaries	<u>\$ 8,130,638</u>	<u>5,870,964</u>

(i) Subsidiaries

Please refer to 2025 consolidated financial statements.

(ii) Pledged: None of investment accounted for using equity method held by the Company were pledged as of December 31, 2025 and 2024.

(f) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Company were as follows:

	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Miscellaneous equipment	Construction in progress	Total
Cost:								
Balance at January 1, 2025	4,132,326	4,181,073	2,034,740	40,158	213,736	231,969	-	10,834,002
Additions	-	11,016	23,210	1,661	7,986	3,531	-	47,404
Disposals	-	(359)	(7,737)	(1,231)	(1,426)	(1,301)	-	(12,054)
Balance at December 31, 2025	<u>\$ 4,132,326</u>	<u>4,191,730</u>	<u>2,050,213</u>	<u>40,588</u>	<u>220,296</u>	<u>234,199</u>	<u>-</u>	<u>10,869,352</u>
Balance at January 1, 2024	\$ 4,141,770	4,143,102	2,011,951	50,073	113,246	231,339	248	10,691,729
Additions	-	64,450	47,531	12,250	104,972	6,757	-	235,960
Disposals	-	-	(24,742)	(22,165)	(4,730)	(6,127)	-	(57,764)
Reclassification	(9,444)	(26,479)	-	-	248	-	(248)	(35,923)
Balance at December 31, 2024	<u>\$ 4,132,326</u>	<u>4,181,073</u>	<u>2,034,740</u>	<u>40,158</u>	<u>213,736</u>	<u>231,969</u>	<u>-</u>	<u>10,834,002</u>
Depreciation:								
Balance at January 1, 2025	\$ -	1,081,323	1,799,603	24,187	116,042	187,417	-	3,208,572
Depreciation	-	203,194	90,146	4,323	19,858	13,670	-	331,191
Disposals	-	(359)	(7,737)	(1,026)	(1,426)	(1,301)	-	(11,849)
Balance at December 31, 2025	<u>\$ -</u>	<u>1,284,158</u>	<u>1,882,012</u>	<u>27,484</u>	<u>134,474</u>	<u>199,786</u>	<u>-</u>	<u>3,527,914</u>
Balance at January 1, 2024	\$ -	894,884	1,718,116	32,739	105,079	178,952	-	2,929,770
Depreciation	-	198,810	105,181	5,131	15,693	14,461	-	339,276
Disposals	-	-	(23,694)	(13,683)	(4,730)	(5,996)	-	(48,103)
Reclassification	-	(12,371)	-	-	-	-	-	(12,371)
Balance at December 31, 2024	<u>\$ -</u>	<u>1,081,323</u>	<u>1,799,603</u>	<u>24,187</u>	<u>116,042</u>	<u>187,417</u>	<u>-</u>	<u>3,208,572</u>
Carrying amounts:								
Balance at December 31, 2025	<u>\$ 4,132,326</u>	<u>2,907,572</u>	<u>168,201</u>	<u>13,104</u>	<u>85,822</u>	<u>34,413</u>	<u>-</u>	<u>7,341,438</u>
Balance at December 31, 2024	<u>\$ 4,132,326</u>	<u>3,099,750</u>	<u>235,137</u>	<u>15,971</u>	<u>97,694</u>	<u>44,552</u>	<u>-</u>	<u>7,625,430</u>

The property, plant and equipment of the Company were not pledged or mortgaged as collateral for loans as of December 31, 2025 and 2024.

When the properties held by the Company are leased out to third parties under operating leases, such properties are reclassified as investment properties at their carrying amounts at the date of change in use, please refer to note 6(h) for further details.

Eclat Textile Co., Ltd.
Notes to the Financial Statements

(g) Right-of-use assets

The Company leases assets including buildings, transportation equipment, office equipment and miscellaneous equipment. Information about leases for which the Company is a lessee was presented below:

	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Miscellaneous equipment</u>	<u>Total</u>
Cost:					
Balance at January 1, 2025	\$ 1,728	43,868	5,352	-	50,948
Additions	-	17,565	3,652	-	21,217
Reductions	-	(14,936)	(4,918)	-	(19,854)
Balance at December 31, 2025	<u>\$ 1,728</u>	<u>46,497</u>	<u>4,086</u>	<u>-</u>	<u>52,311</u>
Balance at January 1, 2024	\$ 25,366	44,138	4,864	1,250	75,618
Additions	-	19,411	488	-	19,899
Reductions	(23,638)	(19,681)	-	(1,250)	(44,569)
Balance at December 31, 2024	<u>\$ 1,728</u>	<u>43,868</u>	<u>5,352</u>	<u>-</u>	<u>50,948</u>
Accumulated depreciation:					
Balance at January 1, 2025	\$ 922	22,519	3,623	-	27,064
Depreciation	345	14,398	1,968	-	16,711
Reductions	-	(14,936)	(4,918)	-	(19,854)
Balance at December 31, 2025	<u>\$ 1,267</u>	<u>21,981</u>	<u>673</u>	<u>-</u>	<u>23,921</u>
Balance at January 1, 2024	\$ 19,956	28,060	1,825	1,136	50,977
Depreciation	1,016	14,077	1,798	114	17,005
Reductions	(20,050)	(19,618)	-	(1,250)	(40,918)
Balance at December 31, 2024	<u>\$ 922</u>	<u>22,519</u>	<u>3,623</u>	<u>-</u>	<u>27,064</u>
Carrying amount:					
Balance at December 31, 2025	<u>\$ 461</u>	<u>24,516</u>	<u>3,413</u>	<u>-</u>	<u>28,390</u>
Balance at December 31, 2024	<u>\$ 806</u>	<u>21,349</u>	<u>1,729</u>	<u>-</u>	<u>23,884</u>

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Notes to the Financial Statements

(h) Investment property

Investment property comprises office buildings that are leased to third parties under operating leases which are owned by the Company.

The details of the changes were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost:			
Balance at January 1, 2025 (Same as ending balance)	\$ <u>636,494</u>	<u>237,521</u>	<u>874,015</u>
Balance at January 1, 2024	\$ 627,050	211,042	838,092
Reclassification from property, plant and equipment	9,444	26,479	35,923
Balance at December 31, 2024	\$ <u>636,494</u>	<u>237,521</u>	<u>874,015</u>
Accumulated depreciation:			
Balance at January 1, 2025	\$ -	121,321	121,321
Depreciation	-	9,483	9,483
Balance at December 31, 2025	\$ -	<u>130,804</u>	<u>130,804</u>
Balance at January 1, 2024	\$ -	100,312	100,312
Depreciation	-	8,638	8,638
Reclassification from property, plant and equipment	-	12,371	12,371
Balance at December 31, 2024	\$ -	<u>121,321</u>	<u>121,321</u>
Carrying amount:			
December 31, 2025	\$ <u>636,494</u>	<u>106,717</u>	<u>743,211</u>
December 31, 2024	\$ <u>636,494</u>	<u>116,200</u>	<u>752,694</u>
Fair value:			
December 31, 2025			\$ <u>1,489,970</u>
December 31, 2024			\$ <u>1,494,131</u>

The fair value of investment properties was based on a valuation by a qualified independent appraiser who has recent valuation experience in the location and category of the investment property being valued. The valuation was primarily based on the market comparison approach, taking into account recent transaction prices of similar properties in nearby areas and publicly available information, such as the Ministry of the Interior's actual transaction price registration. The inputs of levels of fair value hierarchy in determining the fair value is classified to Level 3: The input parameters used to measure fair value are not information available from active markets.

None of the investment property of the Company were pledged or mortgaged as collateral for loans as of December 31, 2025 and 2024.

(i) Other current assets and other non-current assets

Current:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Tax refund receivables	\$ 52,706	46,639
Payment in advance	58,258	22,756
Prepaid expense	15,203	10,127
Other financial assets — term deposits	6,500,000	5,000,000
Prepaid value-added tax	53,785	47,329
Others	<u>12,708</u>	<u>16,630</u>
	<u>\$ 6,692,660</u>	<u>5,143,481</u>

Eclat Textile Co., Ltd.
Notes to the Financial Statements

Non-current:

	December 31, 2025	December 31, 2024
Prepayments for business facilities	\$ 9,745	11,507
Refundable deposits	610	560
	<u>\$ 10,355</u>	<u>12,067</u>

(j) Short-term borrowings

Details of short-term borrowings of the Company were as follows:

	December 31, 2025	December 31, 2024
Unsecured bank loans	<u>\$ 220,010</u>	<u>-</u>
Unused quota	<u>\$ 1,659,457</u>	<u>1,039,550</u>
Range of interest rates	<u>4.22%</u>	<u>-</u>

None of the Company's assets were pledged as collaterals for short-term borrowings as of December 31, 2025 and 2024

(k) Lease liabilities

The Company's lease liabilities were as follows:

	December 31, 2025	December 31, 2024
Current	<u>\$ 14,235</u>	<u>11,886</u>
Non-current	<u>\$ 12,694</u>	<u>10,739</u>

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

The amounts of leases recognized in profit or loss were as follows:

	For the years ended December 31 2025	December 31 2024
Interest on lease liabilities	<u>\$ 279</u>	<u>272</u>
Expenses relating to short-term leases	<u>\$ 6,743</u>	<u>5,635</u>

The amounts of leases recognized in the statement of cash flows for were as follows:

	For the years ended December 31 2025	December 31 2024
Total cash outflow for leases	<u>\$ 23,935</u>	<u>26,417</u>

Eclat Textile Co., Ltd.
Notes to the Financial Statements

(i) Real estate leases

The Company leases buildings for its dormitory for 2 to 5 years.

(ii) Other leases

The Company leases transportation, office and miscellaneous equipment with contract terms of 2 to 10 years.

The Company also leases other equipment for 1 to 10 years, these leases are short-term or leases of low-value items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(1) Operating Leases

The Company leases out its investment property. The Company has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to note 6(h) that sets out information about the operating leases of investment property.

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date were as follows:

	December 31, 2025	December 31, 2024
Less than one year	\$ 29,981	30,850
Between one and two years	24,559	30,013
Between two and three years	9,920	24,559
Between three and four years	1,200	9,920
Between four and five years	-	1,200
Total undiscounted lease payments	<u><u>\$ 65,660</u></u>	<u><u>96,542</u></u>

For the years ended December 31, 2025 and 2024, rental income from investment properties were \$30,565 thousand and \$29,535 thousand, respectively.

(m) Employee benefits

(i) Defined benefit plans

Reconciliation for the Company's present value of defined benefit obligation and fair value of plan assets were as follows:

	December 31, 2025	December 31, 2024
Present value of benefit obligations	\$ 199,210	181,437
Fair value of plan assets	<u>(375,817)</u>	<u>(345,367)</u>
Net defined benefit (assets) liabilities	<u><u>\$ (176,607)</u></u>	<u><u>(163,930)</u></u>

The Company's employee benefit liabilities were as follows:

	December 31, 2025	December 31, 2024
Compensated absences liability	<u><u>\$ 52,586</u></u>	<u><u>47,525</u></u>

Eclat Textile Co., Ltd.
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The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of the plan assets

The retirement funds deposited by the Company according to the Labor Standards Law are managed by the Bureau of Labor Funds, Ministry of Labor (the “BLF”). According to Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, the usage of funds and their minimum amount of return distributed by the final accounts shall not be less than the income calculated by the two year deposit interest rate of local bank.

As of December 31, 2025, the Company’s pension fund with Bank of Taiwan amounted to \$371,172 thousand. Please refer to the related information published on the website of the Labor Pension Supervisory Committee concerning the utilization of the labor pension fund, related yield rate and its allocation.

2) Movements in present value of the defined benefit obligations

Movements in present value of the defined benefit obligations were as follows:

	For the years ended December 31	
	2025	2024
Defined benefit obligation at January 1	\$ 181,437	206,984
Current service cost and interest	3,835	3,572
Remeasurement of the net defined benefit assets		
— Actuarial losses (gains) of experience adjustments	10,395	9,205
— Actuarial losses (gains) of financial assumptions change	5,626	(5,888)
Benefits paid	(2,083)	(32,436)
Defined benefit obligation at December 31	\$ 199,210	181,437

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets were as follows:

	For the years ended December 31,	
	2025	2024
Fair value of plan assets at January 1	\$ 345,367	324,050
Expected return on plan assets	6,877	5,100
Remeasurement of the net defined benefit assets		
— Actuarial gain arising from experience adjustments	22,941	27,678
Appropriated amount to the plan	2,715	2,652
Benefits paid	(2,083)	(14,113)
Fair value of plan assets at December 31	\$ 375,817	345,367

Eclat Textile Co., Ltd.
Notes to the Financial Statements

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss were as follows:

	For the years ended December 31	
	2025	2024
Current service costs	\$ 262	396
Net interest of net defined benefit assets	(3,304)	(1,924)
	\$ (3,042)	(1,528)

	For the years ended December 31	
	2025	2024
Operating cost	\$ (963)	(408)
Selling expense	(964)	(536)
Administrative expense	(1,115)	(584)
	\$ (3,042)	(1,528)

5) Remeasurements of the net defined benefit assets recognized in other comprehensive income

The Company's remeasurements of net defined benefit assets recognized in other comprehensive income were as follows:

	For the years ended December 31	
	2025	2024
Accumulative amount at January 1	\$ (27,439)	(3,078)
Recognized in current period	(6,920)	(24,361)
Accumulative amount at December 31	\$ (34,359)	(27,439)

6) Actuarial assumptions

Major assumptions used to determine the present value of the defined benefit obligations were as follows:

	December 31, 2025	December 31, 2024
Discount rate	1.625 %	2.000 %
Future salary increases rate	3.000 %	3.000 %

The Company is expected allocation payment of \$13,898 thousand to the defined plans for the one-year period after the reporting date of 2025.

The weighted average duration of the defined benefit plan is 9.62 years.

Eclat Textile Co., Ltd.
Notes to the Financial Statements

7) Sensitivity analysis

As of December 31, 2025 and 2024, the effects of the present value of the defined benefit obligation arising from changes in principal actuarial assumptions were as follows:

	Effects on defined benefit obligations	
	Increase 0.25%	Decrease 0.25%
December 31, 2025		
Discount rate (change 0.25%)	\$ (3,774)	3,900
Future salary increases rate (change 0.25%)	3,738	(3,639)
December 31, 2024		
Discount rate (change 0.25%)	(3,771)	3,900
Future salary increases rate (change 0.25%)	3,767	(3,667)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. The sensitivity analysis adopts the same methods for determining the defined benefit assets at the balance sheet date.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2025 and 2024.

(ii) Defined contribution plan

The Company contributes an amount equal to 6% of the employee's monthly wages to the Labor Pension personal account of the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act, under which, the Company is not required to bear the regulated or putative obligation subsequent to the payment of fixed rate contribution.

The Company's pension costs under the defined contribution plan amounted to \$59,418 thousand and \$54,534 thousand in 2025 and 2024, respectively. Those pension costs have been contributed to Bureau of the Labor Insurance.

Eclat Textile Co., Ltd.
Notes to the Financial Statements

(n) Income taxes

(i) Income tax expense

The details of the Company's income tax expense were as follows:

	For the years ended December 31	
	2025	2024
Current tax expense		
Current period	\$ 1,393,692	1,574,784
Adjustment for prior periods	<u>(20,320)</u>	<u>(1,485)</u>
	<u>1,373,372</u>	<u>1,573,299</u>
Deferred tax expense		
The occurrence and reversal of temporary differences	<u>(12,868)</u>	<u>51,833</u>
Income tax expense	<u>\$ 1,360,504</u>	<u>1,625,132</u>

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

	For the years ended December 31	
	2025	2024
Items that will be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	<u>\$ (36,102)</u>	<u>71,936</u>

The reconciliation between income tax expense and the income tax amount calculated based on pretax financial income were as follows:

	For the years ended December 31	
	2025	2024
Profit before tax	<u>\$ 6,875,441</u>	<u>8,265,984</u>
Income tax using the individual Company's domestic tax rate	\$ 1,375,088	1,653,197
Non-deductible expenses	382	428
Current tax benefits of unrecognized deferred tax liabilities	(60,299)	(59,255)
Tax-exempt income	-	(11,028)
Tax incentives	(16,069)	-
The difference of estimated in prior periods	(4,251)	(1,485)
Undistributed earnings additional tax	66,805	47,776
Others	<u>(1,152)</u>	<u>(4,501)</u>
Income tax expense	<u>\$ 1,360,504</u>	<u>1,625,132</u>

Eclat Textile Co., Ltd.
Notes to the Financial Statements

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets and liabilities

The Company is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2025 and 2024. Also, management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences were not recognized under deferred tax liabilities. Details were as follows:

	December 31, 2025	December 31, 2024
Aggregate amount of temporary differences related to investments in subsidiaries	\$ <u>50,168</u>	<u>291,230</u>
Unrecognized deferred tax assets	\$ <u>74,948</u>	<u>108,339</u>
Unrecognized deferred tax liabilities	\$ <u>84,982</u>	<u>166,585</u>

2) Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2025 and 2024 were as follows:

	Unrealized foreign exchange loss	Others	Total
Deferred tax assets:			
Balance at January 1, 2025	\$ -	13,222	13,222
Recognized in profit (loss)	<u>-</u>	<u>1,013</u>	<u>1,013</u>
Balance at December 31, 2025	\$ <u>-</u>	<u>14,235</u>	<u>14,235</u>
Balance at January 1, 2024	\$ 34,766	12,604	47,370
Recognized in profit (loss)	<u>(34,766)</u>	<u>618</u>	<u>(34,148)</u>
Balance at December 31, 2024	\$ <u>-</u>	<u>13,222</u>	<u>13,222</u>
	Cumulative translation adjustment	Others	Total
Deferred tax liability:			
Balance at January 1, 2025	\$ 82,758	17,685	100,443
Recognized in loss (profit)	<u>-</u>	<u>(11,855)</u>	<u>(11,855)</u>
Recognized in other comprehensive income	<u>(36,102)</u>	<u>-</u>	<u>(36,102)</u>
Balance at December 31, 2025	\$ <u>46,656</u>	<u>5,830</u>	<u>52,486</u>
Balance at January 1, 2024	\$ 10,822	-	10,822
Recognized in loss (profit)	<u>-</u>	<u>17,685</u>	<u>17,685</u>
Recognized in other comprehensive income	<u>71,936</u>	<u>-</u>	<u>71,936</u>
Balance at December 31, 2024	\$ <u>82,758</u>	<u>17,685</u>	<u>100,443</u>

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(iii) The Company's income tax returns through 2023 had been examined by the R.O.C tax authority.

(iv) Global minimum top-up tax

The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred. Please refer to note 4(r) for details of the accounting policies.

(o) Capital and other equity

(i) Common stock

As of December 31, 2025 and 2024, the Company's authorized share capital both amounted to \$3,000,000 thousand dollars, divided into 300,000 thousand shares of stock with \$10 par value per share. The total number of issued shares were 274,367 thousand shares.

(ii) Capital surplus

The components of capital surplus were as follows:

	December 31, 2025	December 31, 2024
Paid-in capital in excess of par value	\$ 3,550,000	3,550,000
Treasury stock transactions	396	396
Unpaid compensation to directors and supervisors	1,377	1,377
Net assets from merger with Everbright Garment	15,866	15,866
Unpaid dividend payables	369	369
Employee stock options	201,795	201,795
	<u>\$ 3,769,803</u>	<u>3,769,803</u>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

According to the Company's articles of incorporation, 10% of annual net earnings (net of income taxes), after deducting accumulated deficits, must be set aside as legal reserve. The remaining portion is to be distributed upon a proposal by the Board of Directors.

In accordance with the Article 240, paragraph 5 of the Company Act and the Company's articles 37-1, the Company authorizes the Board of Directors, with the presence of more than two-thirds of the directors and the approval of a majority of the directors, to distribute all or part of the dividends and bonuses payable by way of cash, and to report to the shareholders' meeting. For the issuance of new shares, the proposal should be resolved during the shareholders' meeting.

The Company is now in the growth stage and has a plan to expand the product line. Due to the need for capital to fulfill the plan, the policy for dividend distribution should reflect factors such as investment planning, financial structure, future fund requirements, and status of earnings. In a normal consideration, the percentage of earnings distribution shall not be less than 50% of the net earnings of the current year after compensating for accumulated deficits, if any. The ratio for

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distributing cash dividends shall not be lower than 20% of the total distribution.

1) Legal reserve

If the Company incurs no loss for the year, the legal reserve in whole or in part may be distributed in the form of new shares or cash; when the form of cash is adopted, distribution shall be made based on the resolution of a Board of Directors' meeting attended by more than two-thirds of directors with a majority of voting rights of the attending directors, which shall also be reported to the shareholders' meeting; when the distribution is made by issuing new shares, it shall be submitted to the shareholders' meeting for resolution before distribution. The distribution amount is limited to the portion of legal reserve which exceeds 25% of the paid-in capital.

2) Special reserve

In accordance with the requirements issued by the FSC, a portion of current period earnings and undistributed prior period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

Earnings distributions for 2024 and 2023 were resolved by the Board of Directors held on February 27, 2025 and February 29, 2024, respectively. The relevant dividend distributions to shareholders were as follows:

	For the years ended December 31			
	2024		2023	
	Per share (in dollars)	Amount	Per share (in dollars)	Amount
Dividends distributed to ordinary shareholders:				
Cash dividends	\$ 17.00	<u><u>4,664,241</u></u>	13.50	<u><u>3,703,956</u></u>

Relevant information can be obtained through the Market Observation Post System or other public information channels.

(iv) Other equity (net of income tax)

	Financial statements translation differences from foreign operations
Balance at January 1, 2025	\$ 327,270
Exchange differences on translation of foreign financial statements	(140,649)
Balance at December 31, 2025	<u><u>\$ 186,621</u></u>
Balance at January 1, 2024	\$ 39,529
Exchange differences on translation of foreign financial statements	287,741
Balance at December 31, 2024	<u><u>\$ 327,270</u></u>

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(p) Earnings per share

The earnings per share were calculated as follows:

	For the years ended December 31	
	2025	2024
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	\$ <u>5,514,937</u>	<u>6,640,852</u>
Weighted average number of ordinary shares outstanding (in thousands)	<u>274,367</u>	<u>274,367</u>
Basic earnings per share (in dollars)	\$ <u>20.10</u>	<u>24.20</u>
Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company	\$ <u>5,514,937</u>	<u>6,640,852</u>
Weighted average number of ordinary shares outstanding (basic) (in thousands)	274,367	274,367
Effect on employee's profit-sharing bonus (in thousands)	<u>185</u>	<u>20</u>
Weighted average number of ordinary shares outstanding (diluted) (in thousands)	<u>274,552</u>	<u>274,387</u>
Diluted earnings per share (in dollars)	\$ <u>20.09</u>	<u>24.20</u>

(q) Revenue from contracts with customers

	For the year ended December 31, 2025		For the year ended December 31, 2024	
	Knitted fabrics	Garments	Knitted fabrics	Garments
Main market :				
Americas	\$ 843,125	18,482,004	755,019	17,739,196
Asia	10,753,138	2,354,453	10,751,414	2,058,454
Europe	10,840	3,898,765	30,517	3,515,788
the Middle East	833,725	113,313	1,039,799	107,910
ANZ	62	318,481	208	276,170
Africa	<u>64,248</u>	<u>52,727</u>	<u>289,691</u>	<u>42,017</u>
	<u>\$ 12,505,138</u>	<u>25,219,743</u>	<u>12,866,648</u>	<u>23,739,535</u>

Eclat Textile Co., Ltd.
Notes to the Financial Statements

	For the year ended December 31, 2025	For the year ended December 31, 2024
Main product :		
Knitted fabrics	\$ 12,505,138	12,866,648
Garments	<u>25,219,743</u>	<u>23,739,535</u>
	<u>\$ 37,724,881</u>	<u>36,606,183</u>

(r) Employees' profit sharing bonus

The Company resolved to amend its Articles of Incorporation at the shareholders' meeting on June 13, 2025. According to the amended Articles, where the Company has a profit in the current year, if there is surplus after covering the accumulated loss, no less than 1% shall be appropriated for the employee's compensation for the distribution according to the resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, and be reported to the shareholders' meeting. The distribution of employee compensation may be made in the form of shares or cash. Of the employee compensation, no less than 50% shall be allocated to the distribution of compensation for the employees.

Before the amendment, the Articles of Incorporation stipulated that, where the Company has a profit in the current year, if there is surplus after covering the accumulated loss, no less than 0.1% shall be appropriated for the employee's compensation for the distribution according to the resolution of the Board of Directors, and be reported to the shareholders' meeting. The distribution of employee's compensation may be made in the form of shares or cash.

For the years ended December 31, 2025 and 2024, the estimated employee's profit-sharing bonuses amounted to \$70,000 thousand and \$9,000 thousand, respectively. Which were calculated based on the Company's profit excluding tax as well as employee's profit-sharing bonuses, and were reported under cost of goods sold and operating expenses in the current period. If there are any subsequent adjustments to the actual remuneration amounts, the adjustments will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year.

There were no differences between the estimated and the distributed employee's profit-sharing bonuses for the years ended December 31, 2025 and 2024. The related information can be obtained from the Market Observation Post System website of the Taiwan Stock Exchange.

Eclat Textile Co., Ltd.
Notes to the Financial Statements

(s) Non-operating income and expenses

(i) Interest income

The Company's interest income were as follows:

	For the years ended December 31	
	2025	2024
Interest income from bank deposits	\$ 136,730	98,105
Interest income from fund lending	13,261	55,257
	\$ 149,991	153,362

(ii) Other income

The Company's other income were as follows:

	For the years ended December 31	
	2025	2024
Rental income	\$ 32,235	31,297

(iii) Other gains and losses, net

The Company's other gains and losses were as follows:

	For the years ended December 31	
	2025	2024
Gain (loss) on disposal of property, plant and equipment	\$ (26)	1,726
Gain on disposal of non-current assets held for sale	-	56,697
Foreign exchange gain (loss)	(273,137)	437,381
Others	16,303	16,814
	\$ (256,860)	512,618

(iv) Finance costs

The Company's finance costs were as follows:

	For the years ended December 31	
	2025	2024
Bank borrowings interest	\$ 206	196
Lease liabilities interest	279	272
Factoring of accounts receivable	8,144	-
	\$ 8,629	468

Eclat Textile Co., Ltd.
Notes to the Financial Statements

(t) Financial instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets represents the maximum exposed amount to credit risk.

2) Concentration of credit risk

The Company does not make concentrated transactions with any single client and scatters the sales region, there is no concentration of credit risk for accounts receivable.

3) Credit risk of receivable

For details on credit risk of notes and accounts receivable, please refer to note 6(b).

Other financial assets at amortized cost include other receivables and term deposits.

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 month expected credit losses.

As of December 31, 2025 and 2024, there were no other financial assets at amortized cost that required provision for impairment.

(ii) Liquidity risk

The following were the contractual maturities of financial liabilities, including the impact of estimated interest.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 12 months</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>More than 5 years</u>
December 31, 2025						
Non-derivative financial liabilities						
Short-term borrowings	\$ 220,010	220,417	220,417	-	-	-
Accounts and notes payable (related parties included)	2,296,833	2,296,833	2,296,833	-	-	-
Lease liabilities	26,929	27,222	14,441	9,976	2,805	-
	<u>\$ 2,543,772</u>	<u>2,544,472</u>	<u>2,531,691</u>	<u>9,976</u>	<u>2,805</u>	<u>-</u>
December 31, 2024						
Non-derivative financial liabilities						
Accounts and notes payable (related parties included)	\$ 2,355,082	2,355,082	2,355,082	-	-	-
Lease liabilities	22,625	22,871	12,050	8,180	2,641	-
	<u>\$ 2,377,707</u>	<u>2,377,953</u>	<u>2,367,132</u>	<u>8,180</u>	<u>2,641</u>	<u>-</u>

The Company doesn't expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

Eclat Textile Co., Ltd.
Notes to the Financial Statements

(iii) Currency risks

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risks were as follows:

	December 31, 2025			December 31, 2024		
	Foreign currency (thousands)	Exchange rate	NTD	Foreign currency (thousands)	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 155,524	31.430	4,888,119	242,072	32.785	7,936,331
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$ 57,822	31.430	1,817,345	59,028	32.785	1,935,233

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, accounts payable (including related parties), etc. A 1% depreciation or appreciation of the NTD against the USD as of December 31, 2025 and 2024 would have increased or decreased the net income after tax by \$24,566 thousand and \$48,009 thousand, respectively. The analysis assumes that all other variables remain constant. The analysis was based on the same basis.

3) Foreign currency gain or loss on monetary items

The amounts of conversion gains and losses (including realized and unrealized) of monetary items of the Company which was converted into functional currency (that is the Company's expression currency), and the exchange rate information converted to the Company's functional currency, NTD, were as follows:

	For the years ended December 31			
	2025		2024	
	Exchange (loss) gain	Average rate	Exchange (loss) gain	Average rate
USD	\$ (273,137)	31.180	437,381	32.112

(iv) Interest rate analysis

The Company's exposure to interest rate risk arising from financial assets and liabilities is described in the liquidity risk part of this note.

For floating rate liabilities, the analysis assumes that the balances of outstanding liabilities on the reporting date have been outstanding for the whole period, and their rational change intervals are being estimated. If the interest rate increases/decreases by 1%, representing the reasonable interest rates changes made by management.

If the interest rate increases/decreases by 1%, the Company's net income will decrease/increase by \$2,200 thousand for the year ended December 31, 2025, with all other variable factors that remain constant. This was mainly due to the Company's borrowings in variable rates.

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Notes to the Financial Statements

(v) Fair value

The Company's management considers its financial assets and financial liabilities measured at amortized cost to be the approximation of the fair value.

(u) Financial risk management

(i) Overview

The Company has exposures to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The note expresses the information of risk exposure and goals, policies and procedures for the Company to measure and manage risks. Please refer to notes in financial statements for further quantitative disclosures.

(ii) Risk management framework

The Board of Directors is responsible for the supervision of the Company's risk management framework. The Board of Directors has established a Risk Management Committee, which is responsible for developing and overseeing the Company's risk management policies, and reporting its operations to the Board of Directors on a regular basis.

The risk management policies are established to identify and analyze the Company's exposure to risks, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aim to develop a disciplines and constructive control environment, in which all employees understand their roles and obligations.

The Audit Committee of the Company oversees how the management complies in monitoring the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The internal audit sector of the Company reviews the risk management controls and procedure on scheduled and non-scheduled basis, and reports the results to the Audit Committee.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

1) Accounts receivable and other receivables

The Company's credit risk exposure is primarily affected by the individual circumstances of each customer. However, management also considers statistical information regarding the customer base, including the industries to which customers belong and the default risk of the countries in which they operate, as these factors may also affect credit risk.

To minimize the risk of accounts receivable, the Company established a risk management procedure relating to the financial condition of the client, credit risk rating, historical transactions inside the Company, and the current economic situation that may affect the clients' ability to settle payments. The Company also uses some credit enhancement tools such as prepayments and non-recourse accounts receivable factoring agreements with several banks to transfer part of the accounts receivable risk to the banks and reduce specific client's credit risk.

2) Financial investments

The credit risk exposure in the bank deposits, fix income investments and other financial instruments are measured and monitored by the Company's finance department. As the

Eclat Textile Co., Ltd.

Notes to the Financial Statements

Company deals with the banks and other external parties with good credit standing and financial institutions, corporate organization and government agencies which are graded above investment level, the management believes that the Company does not have any compliance issues, and therefore, there is no significant credit risk.

3) Guarantee

The Company's policy is to provide financial guarantees only to wholly owned subsidiaries. As of December 31, 2025 and 2024, no other guarantees were outstanding.

(iv) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as much as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company estimates the cost of products and services based on accounting policy in order to assist in monitoring its cash flow requirements and optimizing its cash return on investments. Generally, the Company ensures that there is sufficient cash to cover expected operating expenditure demand, but excluding potential influence under unexpected extreme conditions (i.e. natural disaster). In addition, the total amount of unused current and long-term quota as of December 31, 2025 and 2024, amounted to \$1,809,457 thousand and \$1,189,550 thousand respectively.

(v) Market risk

Market risk is the risk that comes from changes in market prices such as changes of foreign exchange rates, interest rates and equity prices, impacting the Company's income or the value of financial instruments held by the Company. The objective of market risk management is to manage and control market risk exposures within acceptable range and optimize the return on investments.

The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Board of Directors.

1) Exchange rate risk

The Company's exposure to currency risk is on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company. The currencies used in these transactions are denominated in NTD and USD.

The Company adopts a dynamic management strategy for exchange rate risk by regularly reviewing the net value after offsetting assets and liabilities in each currency. Natural hedging is prioritized to offset positions; hedging instruments are appropriately utilized after a comprehensive evaluation of hedging costs, periods, and macroeconomic trends to mitigate exchange rate risk and maintain the Company's operational stability.

2) Interest rate risk

All of the Company's assets and liabilities bear floating interest rates, and thus suffer from cash flow interest rate risk exposure. The detail of floating interest rates of the Company's assets and liabilities are described in note of liquidity risk management.

Eclat Textile Co., Ltd.
Notes to the Financial Statements

(v) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, and to sustain the future development of the business. The capital includes common stock, capital surplus, retained earnings and other equities. Therefore, the capital management of the Company focuses on ensuring necessary financial resources and increase stockholders' value, examining the capital return periodically. The Company's return on capital as of December 31, 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Net income	\$ <u>5,514,937</u>	<u>6,640,852</u>
Total capital	\$ <u>29,637,137</u>	<u>28,921,661</u>
Return on capital	<u>18.61 %</u>	<u>22.96 %</u>

The Company does not have any plan of purchasing treasury stock.

(7) Related-party transactions

(a) Names and relationship of related parties

The Company had transactions with related party during the periods covered in the financial statements were as follows:

<u>Name of related parties</u>	<u>Relationship with the Company</u>
Grand Elite Holdings Inc. (Grand Elite)	Subsidiary
Eclat Cayman Islands Holdings (Eclat Cayman)	Subsidiary
PT Eclat Textile International (Eclat Textile (ID))	Subsidiary
Eclat Textile (Cambodia) Co., Ltd. (Eclat Textile (Cambodia))	Subsidiary
Eclat Textile Co., Ltd. (Vietnam) (Eclat Textile (VN))	Subsidiary
Eclat Fabrics (Vietnam) Co., Ltd. (Fabrics)	Subsidiary
E-TOP (Vietnam) Co., Ltd. (E-TOP (VN))	Subsidiary
Colltex Garment Mfy Co., Ltd. (Colltex)	Subsidiary
Eclat Enterprise Ltd. (Eclat Enterprise)	Subsidiary
Tai-Yuan Garments Co., Ltd. (Tai-Yuan (VN))	Subsidiary
Yih Yuan Investment Corp.	The entity's chairman was related to the former chairman of the Company within the second degree of kinship, after the board re-election on June 12, 2024, they are no longer considered related parties.
Eclat Education Foundation (Eclat foundation)	Founded by donation of the Company

Eclat Textile Co., Ltd.
Notes to the Financial Statements

(b) Significant transactions with related parties

(i) Purchases and processing

The Company's purchases and processes from related party were as follows:

	For the years ended December 31	
	2025	2024
Subsidiary—Eclat Textile (VN)	\$ 1,718,527	1,652,847
Subsidiary—Fabrics	2,348,002	2,352,603
Subsidiary—Colltex	886,315	749,759
Subsidiary—E-TOP (VN)	979,495	951,986
Subsidiary—Eclat Textile (ID)	1,308,396	986,552
Subsidiaries—Others	731,215	759,593
	\$ 7,971,950	7,453,340

Purchasing and processing price and payment term to subsidiaries and associates were the same as to general purchases and processes. The payment term to subsidiaries and associates were O/A 30 to 60 days.

(ii) Payables to related parties

The Company's payables to related parties were as follows:

Account	Type of related parties	December 31, 2025	December 31, 2024
Accounts payable - related parties	Subsidiary—Eclat Textile (VN)	\$ 76,403	81,443
Accounts payable - related parties	Subsidiary—Fabrics	96,508	66,379
Accounts payable - related parties	Subsidiary—Colltex	40,563	55,894
Accounts payable - related parties	Subsidiary—E-TOP (VN)	51,609	53,870
Accounts payable - related parties	Subsidiary—Eclat Textile (ID)	28,866	59,707
Accounts payable - related parties	Subsidiary—Eclat Textile (Cambodia)	58,066	21,298
Accounts payable - related parties	Subsidiaries—Others	15,109	15,838
		\$ 367,124	354,429

Eclat Textile Co., Ltd.
Notes to the Financial Statements

(iii) Loans to Related Parties

The loans to related parties were as follows:

<u>Account</u>	<u>Type of related parties</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Other receivables due from related parties	Subsidiary—Eclat Textile (ID)	\$ <u>-</u>	<u>393,420</u>

The interest income generated from the Company's loans to related parties were as follows:

	<u>For the years ended December 31</u>	
	<u>2025</u>	<u>2024</u>
Subsidiary—Eclat Textile (ID)	\$ 12,999	49,564
Subsidiaries—Others	<u>262</u>	<u>5,693</u>
	<u>\$ 13,261</u>	<u>55,257</u>

The interest receivable due from loans to related parties were as follows:

<u>Account</u>	<u>Type of related parties</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Other receivables due from related parties	Subsidiaries	\$ <u>-</u>	<u>1,903</u>

The interest charged by the Company to related parties is based on the average interest rate charged by financial institutions on the Company's borrowings. The loans to related parties are unsecured. There are no expected credit loss required after the management's assessment.

(iv) Leases

<u>Types of related parties</u>	<u>For the years ended December 31</u>	
	<u>2025</u>	<u>2024</u>
Other related parties	\$ <u>-</u>	<u>150</u>

The Company charged their rentals based on the local market prices which were paid monthly.

(v) Others

	<u>Donations</u>	
<u>Name of related parties</u>	<u>For the years ended December 31</u>	
	<u>2025</u>	<u>2024</u>
Eclat Foundation	\$ <u>2,000</u>	<u>2,000</u>

Eclat Textile Co., Ltd.
Notes to the Financial Statements

(c) Key management personnel transactions

Key management personnel compensation comprised:

	For the years ended December 31	
	2025	2024
Short-term employee benefits	\$ <u>144,647</u>	<u>181,079</u>

Cars provided to key management personnel were as follows:

	December 31, 2025	December 31, 2024
Cost	\$ <u>20,227</u>	<u>20,227</u>
Quantities	<u>7</u>	<u>7</u>
Book value	\$ <u>8,592</u>	<u>10,958</u>

(8) Assets Pledged as security: None

(9) Commitments and contingencies

(i) The balances of unused letters of credit of the Company were as follows:

	December 31, 2025	December 31, 2024
Unused letters of credit	\$ <u>533</u>	<u>10,450</u>

(ii) Unrecognized commitments of the Company were as follows:

	December 31, 2025	December 31, 2024
Acquisition of property, plant and equipment	\$ <u>18,037</u>	<u>16,683</u>

(iii) The balances of issued promissory notes of the Company were as follows:

	December 31, 2025	December 31, 2024
Issued promissory notes	\$ <u>20,000</u>	<u>20,000</u>

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

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Notes to the Financial Statements

(12) Other:

- (a) The Company's employee benefits, depreciation and amortization expenses, categorized by function, were as follows:

By item	For the year ended December 31, 2025				For the year ended December 31, 2024			
	Operating costs	Operating expenses	Non-Operating expenses	Total	Operating costs	Operating expenses	Non-Operating expenses	Total
Employee benefits								
Salary	560,956	1,500,192	-	2,061,148	544,489	1,538,879	-	2,083,368
Labor and health insurance	51,326	113,685	-	165,011	44,229	104,378	-	148,607
Pension	11,831	44,545	-	56,376	11,793	41,213	-	53,006
Director's remuneration	-	12,663	-	12,663	-	10,143	-	10,143
Others	13,749	60,035	-	73,784	13,703	54,309	-	68,012
Depreciation	158,645	197,416	1,324	357,385	168,883	194,712	1,324	364,919
Amortization	513	16,813	-	17,326	403	9,947	-	10,350

The numbers of employees and employee benefits of the Company were as follows:

	For the years ended December 31,	
	2025	2024
Number of employees	<u>1,939</u>	<u>1,830</u>
Number of directors who were not employees	<u>10</u>	<u>10</u>
The average employee benefit	<u>\$ 1,222</u>	<u>1,293</u>
The average salaries and wages	<u>\$ 1,069</u>	<u>1,145</u>
Percentage of average employee salary adjustment	<u>(6.64)%</u>	<u>12.81 %</u>
Remuneration of supervisor	<u>\$ -</u>	<u>-</u>

The Company's salary and remuneration policy (including directors, supervisors, managers and employees) were as follows:

The Company has established the "Rules for Performance Evaluation of the Board of Directors and Functional Committee," which forms basis for the evaluation of independent directors and inside directors. In addition to the consideration of the overall business performance, future operational risk and industry development trend, the individual performance achievement rate and contribution to the Company's operational benefits etc. are also considered comprehensively, in order to provide reasonable remuneration. Furthermore, the remuneration evaluation system is also timely reviewed according to the actual operation status and relevant laws.

The president and vice presidents of the Company are responsible for the execution of the Company's operation and management, and the salary structure refers to the base salary, allowance and business cars. The remuneration is determined according to the overall operational performance along with the consideration of the target achievement rate, profitability, operational benefits and level of contribution of each individual managerial officer along with the consideration of the standard adopted in the same industry, in order to provide reasonable remuneration. Furthermore, the remuneration evaluation system is also timely reviewed according to the actual operation status and relevant laws.

Eclat Textile Co., Ltd.

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The Company determines and adjusts employee compensation in line with the principles of external competitiveness and internal equity. It conducts regular compensation surveys to monitor market trends and ensure that overall compensation remains above market levels. In determining individual compensation, the Company considers employees' professional background, qualifications and key competencies, together with the position's level of responsibility, associated risks and challenges, and its impact on future development, to ensure appropriate and reasonable remuneration.

(13) Other disclosures

(a) Information on significant transactions

The followings were the disclosures on significant transactions required under the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” of the Company for the year ended December 31, 2025:

(i) Loans to other parties:

No.	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance (Note 2)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 3)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 1)	Maximum limit of fund financing (Note 1)
													Item	Value		
0	The company	Fabrics	Other receivables	Yes	664,100	-	-	-	2	-	Operating capital	-	-	-	2,963,713	5,927,427
0	The company	Eclat Textile (ID)	Other receivables	Yes	1,859,480	-	-	-	2	-	Operating capital	-	-	-	2,963,713	5,927,427

Note 1 : The total amount available for financing purposes shall not exceed 40% of the Company's net worth. For entities that the Company has business with, the total amount available for financing shall not exceed 20% of the Company's net worth; and for each entity that the Company has business with, the amount available for financing shall not exceed the transaction amount within 12 months and 10% of the Company's net worth. The total amount for short-term financing shall not exceed 20% of the Company's net worth; and for each entity the amount available for short-term financing shall not exceed 10% of the Company's net worth.

Note 2: Approved by Board of Directors

Note 3: Nature of financing: 1. Business transaction purpose. 2. Short-term financing purpose.

(ii) Guarantees and endorsements for other parties: None.

(iii) Material securities held as of December 31, 2025 (excluding investment in subsidiaries, associates and joint ventures): None.

(iv) Related-party transactions for purchases and sales with amounts exceeding the lower of NTD 100 million or 20% of the capital stock::

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)	
			Purchases/ (sales)	Amount	Percentage of total purchases/ sales	Payment terms(days)	Unit price	Payment terms	Ending balance	Percentage of total notes/ accounts receivable (payable)
The Company	Eclat Textile (VN)	Indirectly held subsidiaries	processing	1,718,527	16.27 % (Note)	30	(Note 1)	(Note 1)	Accounts payable (76,403)	(3.33)%
Eclat Textile (VN)	The Company	Parent company	(sales)	(1,718,527)	(100.00)%	30	(Note 1)	(Note 1)	Accounts receivable 76,403	100.00 %
The Company	Fabrics	Indirectly held subsidiaries	purchasing	2,348,002	14.22 %	30	(Note 1)	(Note 1)	Accounts payable (96,508)	(4.20)%
Fabrics	The Company	Parent company	(sales)	(2,348,002)	(89.89)%	30	(Note 1)	(Note 1)	Accounts receivable 96,508	95.21 %
The Company	E-TOP (VN)	Indirectly held subsidiaries	processing	979,495	9.27 % (Note)	30	(Note 1)	(Note 1)	Accounts payable (51,609)	(2.25)%
E-TOP (VN)	The Company	Parent company	(sales)	(979,495)	(98.97)%	30	(Note 1)	(Note 1)	Accounts receivable 51,609	97.17 %

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Notes to the Financial Statements

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)	
			Purchases/ (sales)	Amount	Percentage of total purchases/ sales	Payment terms(days)	Unit price	Payment terms	Ending balance	Percentage of total notes/ accounts receivable (payable)
The Company	Colltex	Indirectly held subsidiaries	processing	886,315	8.39 % (Note)	30	(Note 1)	(Note 1)	Accounts payable (40,563)	(1.77)%
Colltex	The Company	Parent company	(sales)	(886,315)	(99.99)%	30	(Note 1)	(Note 1)	Accounts receivable 40,563	99.61 %
The Company	Eclat Textile (Cambodia)	Indirectly held subsidiaries	processing	512,802	4.85 % (Note)	30	(Note 1)	(Note 1)	Accounts payable (58,066)	(2.53)%
Eclat Textile (Cambodia)	The Company	Parent company	(sales)	(512,802)	(100.00)%	30	(Note 1)	(Note 1)	Accounts receivable 58,066	100.00 %
The Company	Tai-Yuan (VN)	Indirectly held subsidiaries	processing	218,413	2.07 % (Note)	30	(Note 1)	(Note 1)	Accounts payable (15,109)	(0.66)%
Tai-Yuan (VN)	The Company	Parent company	(sales)	(218,413)	(87.54)%	30	(Note 1)	(Note 1)	Accounts receivable 15,109	94.15 %
The Company	Eclat Textile (ID)	Indirectly held subsidiaries	processing	1,308,396	12.39 % (Note)	30	(Note 1)	(Note 1)	Accounts payable (28,866)	(1.26)%
Eclat Textile (ID)	The Company	Parent company	(sales)	(1,308,396)	(100.00)%	30	(Note 1)	(Note 1)	Accounts receivable 28,866	100.00 %

Note: Percentage on processing expense

Note 1: The same as general processing/purchasing/sales

(v) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the Company's paid in capital: None.

(b) Information on investees:

The following were the information on investment for the year ended December 31, 2025 (excluding information on investee in Mainland China):

(In thousands of NTD/USD)

Investor company	Investee company	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2025			Net income (losses) of the investee	Share of profits/losses of investee	Note
				December 31, 2025	December 31, 2024	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Grand Elite	British Virgin Islands	Investments in securities, real estate, and manufacturing industry	267,784 (USD 8,520)	267,784 (USD 8,520)	21	100.00 %	176,809	(3,644)	(3,644)	(Note 1)
The Company	Eclat Cayman	Cayman Islands	Investments in securities, real estate, and manufacturing industry	3,941,511 (USD 125,406)	3,941,511 (USD 125,406)	121,080	100.00 %	4,458,171	134,538	134,538	(Note 1)
The Company	Eclat Textile (ID)	Indonesia	Design, manufacture, processing, sale of clothing	3,771,600 (USD 120,000)	1,571,500 (USD 50,000)	12,000	100.00 %	3,495,658	170,600	170,599	(Note 1)(Note 2)
Grand Elite	Eclat Textile (Cambodia)	Cambodia	Design, manufacture, processing and sale of clothing	251,440 (USD 8,000)	251,440 (USD 8,000)	8,000	100.00 %	158,278	(4,039)	(4,039)	(Note 1)
Eclat Cayman	Colltex	Vietnam	Design, manufacture, processing and sale of clothing	501,466 (USD 15,955)	501,466 (USD 15,955)	16,800	100.00 %	586,868	12,406	11,038	(Note 1)

Eclat Textile Co., Ltd.
Notes to the Financial Statements

Investor company	Investee company	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2025			Net income (losses) of the investee	Share of profits/losses of investee	Note
				December 31, 2025	December 31, 2024	Shares (thousands)	Percentage of ownership	Carrying value			
Eclat Cayman	E-TOP(VN)	Vietnam	Design, manufacture, processing and sale of clothing	1,131,480 (USD 36,000)	1,131,480 (USD 36,000)	36,000	100.00 %	1,276,293	24,494	24,494	(Note 1)
Eclat Cayman	Eclat Enterprise	Cambodia	Investments in securities, real estate, and manufacturing industry	31 (USD 1)	31 (USD 1)	1	100.00 %	(1,498)	290	290	(Note 1)
Eclat Cayman	Eclat Textile (VN)	Vietnam	Design, manufacture, processing and sale of clothing	665,405 (USD 21,171)	665,405 (USD 21,171)	22,000	100.00 %	769,369	38,920	38,920	(Note 1)
Eclat Cayman	Fabrics	Vietnam	Knit fabric mills, printing, dyeing and finishing mill	1,257,200 (USD 40,000)	1,257,200 (USD 40,000)	40,000	100.00 %	1,830,505	60,918	50,996	(Note 1)
Eclat Cayman	Tai Yuan(VN)	Vietnam	Design, manufacture, processing and sale of clothing	217,338 (USD 6,915)	217,338 (USD 6,915)	6,800	100.00 %	1,160	8,660	8,371	(Note 1)
Eclat Cayman	E&I Printing	Vietnam	Design, printing, dyeing and finishing mill	31,430 (USD 1,000)	31,430 (USD 1,000)	1,000	40.00 %	-	-	-	(Note 1)
Eclat Cayman	Eclat Textile (ID)	Indonesia	Design, manufacture, processing, sale of clothing	15 (USD 0.20)	6 (USD 0.20)	0.05	- %	14	170,600	1	(Note 1)(Note 2)

Note 1: The exchange rate as of December 31, 2025 was USD 1 to NTD 31.43.

Note 2: Eclat Textile (ID) was mutually set up by the Company and Eclat Cayman. The shareholding ratios are 99.9996% and 0.0004%, respectively.

Note 3: Accumulated translation is included.

(c) Information on investment in Mainland China: None.

(14) Segment information:

Please refer to the consolidated financial statements for the year ended December 31, 2025.

Eclat Textile Co., Ltd.
Statements of cash and cash equivalents
December 31,2025
(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Description</u>	<u>Exchange Rate</u>	<u>Amount</u>
Cash			\$ <u>1,061</u>
Bank deposits			1,035,853
Checking deposits			122,809
Foreign currency deposits	USD 5,465 thousand	31.430	171,781
	RMB 1,113 thousand	4.496	<u>5,006</u>
Subtotal			<u>1,335,449</u>
Total			\$ <u><u>1,336,510</u></u>

Eclat Textile Co., Ltd.
Statements of notes receivable
December 31,2025
(Expressed in thousands of New Taiwan Dollars)

<u>Client name</u>	<u>Description</u>	<u>Amount</u>
Non-related parties:		
A Customer	Operating	\$ 7,416
B Customer	"	7,392
C Customer	"	1,260
Others (Note)	"	<u>1,450</u>
Total		<u><u>\$ 17,518</u></u>

Note: Consisting of individual accounts with less than 5% of the total amount.

Statements of accounts receivable

<u>Client name</u>	<u>Description</u>	<u>Amount</u>
Non-related parties:		
D Customer	Operating	\$ 851,456
E Customer	"	378,202
F Customer	"	237,397
G Customer	"	183,710
H Customer	"	181,023
Others (Note)	"	<u>1,266,127</u>
		3,097,915
Less: allowance for doubtful accounts		<u>(24,086)</u>
Total		<u><u>\$ 3,073,829</u></u>

Note: Consisting of individual accounts with less than 5% of the total amount.

Eclat Textile Co., Ltd.**Statements of inventories****December 31,2025****(Expressed in thousands of New Taiwan Dollars)**

Items	Amount	
	Carrying value (Note)	Net realizable value
Raw materials	\$ 2,972,132	4,725,399
Supplies	808,252	808,252
Work-in-progress	1,018,054	1,416,339
Finished goods	<u>297,979</u>	<u>412,831</u>
Total	<u><u>\$ 5,096,417</u></u>	<u><u>7,362,821</u></u>

Note: Inventory value has been deducted to net realizable amount.

Statements of changes in investments accounted for using the equity method

For the year ended December 31, 2025

(Expressed in thousands of New Taiwan Dollars)

Name of company	Balance as of January 1,2025		Increase		Decrease		Recognized subsidiaries other comprehensive income/(loss) under equity method, net	Recognized investment income/(loss) under equity method, net	Change in translation adjustment	Balance as of December 31,2025		Amount	Net value of equity	Pledge or collateralization
	Shares (thousands)	Amount	Shares (thousands)	Amount	Shares (thousands)	Amount				Shares (thousands)	Holding percentage			
Under equity method:														
Eclat Cayman	121,080	4,509,086	-	-	-	-	-	134,538	(185,453)	121,080	100.00 %	4,458,171	4,462,322	None
Grand Elite	21	188,263	-	-	-	-	-	(3,644)	(7,810)	21	100.00 %	176,809	176,809	None
Eclat Textile (ID)	5,000	<u>1,173,615</u>	7,000	<u>2,136,423</u>	-	<u>-</u>	<u>(1,491)</u>	<u>170,599</u>	<u>16,512</u>	12,000	100.00 %	<u>3,495,658</u>	<u>3,495,672</u>	None
		<u><u>\$ 5,870,964</u></u>		<u><u>2,136,423</u></u>		<u><u>-</u></u>	<u><u>(1,491)</u></u>	<u><u>301,493</u></u>	<u><u>(176,751)</u></u>			<u><u>8,130,638</u></u>	<u><u>8,134,803</u></u>	

Eclat Textile Co., Ltd.**Statements of notes payable****December 31,2025****(Expressed in thousands of New Taiwan Dollars)**

<u>Supplier name</u>	<u>Description</u>	<u>Amount</u>
Non-related parties:		
A Supplier	Operating	\$ 19,691
B Supplier	"	17,650
C Supplier	"	10,032
D Supplier	"	8,046
E Supplier	"	6,529
F Supplier	"	6,175
Others (Note)	"	<u>50,603</u>
Total		<u><u>\$ 118,726</u></u>

Note: Consisting of individual accounts with less than 5% of the total amount.

Statements of accounts payable

<u>Supplier name</u>	<u>Description</u>	<u>Amount</u>
Nonrelated parties:		
G Supplier	Operating	\$ 153,893
H Supplier	"	93,409
Others (Note)	"	<u>1,563,681</u>
Total		<u><u>\$ 1,810,983</u></u>

Note: Consisting of individual accounts with less than 5% of the total amount.

Eclat Textile Co., Ltd.**Statements of operating revenue****For the year ended December 31, 2025****(Expressed in thousands of New Taiwan Dollars)**

Items	Description	Amount
Knitted fabrics	19,855,331 kg	\$ 12,491,847
Yarn	615,516 kg	13,291
Garments	107,030,556 pieces	<u>25,219,743</u>
		<u>\$ 37,724,881</u>

Eclat Textile Co., Ltd.
Statements of operating costs
For the year ended December 31, 2025
(Expressed in thousands of New Taiwan Dollars)

<u>Items</u>	<u>Amount</u>
Inventory balance, beginning of year	\$ -
Add: Purchases (net)	2,354,860
Sales of material and work in progress	344,835
Less: Inventory balance (goods), end of year	<u>-</u>
Merchandising cost of goods sold	2,699,695
Raw materials & supplies	
Raw materials, beginning of year	\$ 2,744,374
Supplies, beginning of year	724,541
Add: Purchases	13,868,683
Less: Raw materials, end of year	(2,988,227)
Supplies, end of year	(808,252)
Sales of raw materials	(39,425)
Others (Transferred to R&D expenses)	<u>(33,334)</u>
Materials consumed	13,468,360
Direct labor	420,031
Manufacturing overhead	<u>11,722,941</u>
Manufacturing costs	25,611,332
Work in progress, beginning of year	912,779
Add: Purchase of work in progress	293,126
Less: Work in progress, end of year	(1,020,213)
Sales of work in progress	(305,410)
Others	<u>(13,357)</u>
Cost of finished goods	25,478,257
Add : Finished goods, beginning of year	266,783
Less : Finished goods, end of year	(298,313)
Cost of goods sold	25,446,727
Others	<u>11,997</u>
Total operating costs	<u><u>\$ 28,158,419</u></u>

Eclat Textile Co., Ltd.**Statements of operating expenses****For the year ended December 31, 2025****(Expressed in thousands of New Taiwan Dollars)**

Items	Selling expenses	Administrative expenses	R&D expenses
Salaries expense	\$ 829,093	616,810	66,952
Depreciation	73,757	120,587	3,072
Labor and health insurance expenses	49,346	62,512	1,827
Exporting expense	273,010	-	-
Raw materials	-	-	35,156
Processing expense	-	-	42,828
Testing expense	125,494	540	-
Others(Note)	<u>333,320</u>	<u>257,454</u>	<u>8,049</u>
	<u>\$ 1,684,020</u>	<u>1,057,903</u>	<u>167,328</u>

Note: Consisting of individual accounts of less than 5% of the total amount.