

Hung Chou Fiber Industrial Co., Ltd.

**Financial Statements and
Independent Auditor's Report**

For the Years 2025 and 2024

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Independent Auditor's Report

To the board of directors of Hung Chou Fiber Industrial Co., Ltd.:

Audit opinion

We have audited the standalone balance sheet of Hung Chou Fiber Industrial Co., Ltd. as at December 31, 2025 and 2024, and the standalone statement of comprehensive income, statement of changes in equity, cash flow statement, and the accompanying footnotes (including summary of key accounting policies) for the periods January 1 to December 31, 2025 and 2024.

In our opinion, all material disclosures of the standalone financial statements mentioned above were prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and the version of International Financial Reporting Standards, International Accounting Standards and interpretations thereof approved and published by the Financial Supervisory Commission, and presented a fair view of the financial position of Hung Chou Fiber Industrial Co., Ltd. as at December 31, 2025 and 2024 and business performance and cash flow for the periods January 1 to December 31, 2025 and 2024

Basis of audit opinion

We have conducted our audits in accordance with Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the generally accepted auditing standards. Our responsibilities as an auditor for the standalone financial statements under the abovementioned standards are explained in the Responsibilities paragraph. All relevant personnel of the accounting firm have followed CPA code of ethics and maintained independence from Hung Chou Fiber Industrial Co., Ltd. when performing their duties. We believe that the evidence obtained provide an adequate and appropriate basis for our opinion.

Key audit issues

Key audit issues are matters that we considered to be the most important, based on professional judgment, when auditing the 2025 standalone financial statements of Hung Chou Fiber Industrial Co., Ltd. These issues have already been addressed when we audited and formed our opinions on the financial statements. Therefore, we do not provide opinions separately for individual issues. Below are the key audit issues that we consider relevant for disclosure in this audit report:

1. Revenue recognition

Accounting policies relating to revenue recognition have been disclosed in Note

4(13) - Revenue recognition of the standalone financial statements; for details on recognized revenues, please refer to Note 6(15) - Revenue from contracts with customers of the standalone financial statements.

Explanation of key audit issues:

Hung Chou Fiber Industrial Co., Ltd. generates revenues mainly from sale of polyester filament, and the risks associated with revenue recognition lies in the authenticity of the underlying transactions. Due to the fact that operating revenues are highly susceptible to changes in the economy, we have identified revenue recognition test as one of the key assessments when auditing the financial statements of Hung Chou Fiber Industrial Co., Ltd.

Audit procedures:

The primary audit procedures taken to address the above key audit matters included: testing the sales and collection cycle as well as relevant controls; verifying and reconciling sales system data against customers' contracts, external certificates, and general journal entries; and evaluating whether the revenue recognition policy of Hung Chou Fiber Industrial Co., Ltd. conforms with accounting standards.

2. Inventory valuation

For accounting policies on inventory valuation, please refer to Note 4(7) - Inventory of the standalone financial statements; for detailed disclosure on inventory valuation, please refer to Note 6(4) - Inventory of the standalone financial statements.

Explanation of key audit issues:

Fluctuations in the international price of raw materials combined with changes in supply and demand may give rise to significant volatility with regards to the selling price and sales volume of the inventory held by Hung Chou Fiber Industrial Co., Ltd., causing the cost of inventory to exceed net realizable value in some circumstances. For this reason, inventory impairment test was identified as one of our key assessments when auditing the financial statements of Hung Chou Fiber Industrial Co., Ltd.

Audit procedures:

The primary audit procedures taken to address the above key audit matters included: learning the management's inventory management and valuation policies, and assessing whether inventory management and valuation were duly performed according to policies. We have conducted random checks to determine the rationality of net realizable values adopted by the management, to test the correctness of the inventory aging reports prepared, and to evaluate the adequacy of inventory loss provisions that Hung Chou Fiber Industrial Co., Ltd. had made as at the reporting date.

Responsibilities of the management and governance body to the standalone financial statements

Responsibilities of the management were to prepare and ensure fair presentation of

standalone financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the version of IFRS, IAS, IFRIC and interpretations thereof approved and effected by the Financial Supervisory Commission, and to exercise proper internal control practices that are relevant to the preparation of standalone financial statements so that the standalone financial statements are free of material misstatements, whether caused by fraud or error.

The management’s responsibilities when preparing standalone financial statements also involved: assessing the ability of Hung Chou Fiber Industrial Co., Ltd. to operate, disclose information, and account for transactions as a going concern unless the management intends to liquidate or cease business operations, or is compelled to do so with no alternative solution.

The governance body of Hung Chou Fiber Industrial Co., Ltd. (including supervisors) is responsible for supervising the financial reporting process.

Responsibilities of the auditor when auditing standalone financial statements

The purposes of our audit were to obtain reasonable assurance of whether the standalone financial statements were prone to material misstatements, whether due to fraud or error, and to issue a report of our audit opinions. We considered assurance to be reasonable only if it is highly credible. However, audit tasks conducted in accordance with generally accepted auditing principles do not necessarily guarantee detection of all material misstatements within the standalone financial statements. Misstatements can arise from fraud or error. Misstatements are considered material if the individual amount or aggregate total is reasonably expected to affect economic decisions of the standalone financial statement user.

When conducting audits in accordance with generally accepted auditing principles, we exercised judgments and raised doubts as deemed professionally appropriate. We also performed the following tasks as an auditor:

1. Identifying and assessing risks of material misstatement due to fraud or error; designing and executing appropriate response measures for the identified risks; and obtaining adequate and appropriate audit evidence to support audit opinions. Fraud may involve conspiracy, forgery, intentional omission, untruthful declaration, or breach of internal control, and our audit did not find any material misstatement where the risk of fraud is greater than the risk of error.
2. Developing the required level of understanding on relevant internal controls and designing audit procedures that are appropriate under the prevailing circumstances, but without providing opinion on the effectiveness of internal control system of Hung Chou Fiber Industrial Co., Ltd.
3. Assessing the appropriateness of accounting policies adopted by the management, and the rationality of accounting estimates and related disclosures made.
4. Forming conclusions regarding the appropriateness of management’s decision to account

for the business as a going concern, and whether there are doubts or uncertainties about the ability of Hung Chou Fiber Industrial Co., Ltd. to operate as a going concern, based on the audit evidence obtained. We are bound to remind financial statement users and make related disclosures if material uncertainties exist in regards to the abovementioned events or circumstances, and amend audit opinions when the disclosures are no longer appropriate. Our conclusions are based on the audit evidence obtained up to the date of audit report. However, future events or change of circumstances may still render Hung Chou Fiber Industrial Co., Ltd. no longer capable of operating as a going concern.

5. Assessing the overall presentation, structure, and contents of the standalone financial statements (including related footnotes), and whether certain transactions and events are presented appropriately in the standalone financial statements.
6. Obtaining sufficient and appropriate audit evidence on financial information of equity-accounted investments held by the Company, and expressing opinions on standalone financial statements. Our responsibilities as auditor are to instruct, supervise, and execute audits and form audit opinions on Hung Chou Fiber Industrial Co., Ltd.

We have communicated with the governance body about the scope, timing, and significant findings (including significant defects identified in internal control) of our audit.

We have also provided the governance body with a declaration of independence stating that all relevant personnel of the accounting firm have complied with auditors' professional ethics, and communicated with the governance body on all matters that may affect the auditor's independence (including protection measures).

We have identified the key audit issues after communicating with the governance body regarding the 2025 standalone financial statements of Hung Chou Fiber Industrial Co., Ltd. These issues have been addressed in our audit report except for: 1. Certain topics that are prohibited by law from disclosing to the public; or 2. Under extreme circumstances, topics that we decide not to communicate in the audit report because of higher negative impacts they may cause than the benefits they bring to public interest.

KPMG

CPA: Jun-Ming Pan

Shu-Ying Chang

Approval reference of the securities authority : Jin-Guan-Zheng-Shen-1110333933
March 2, 2026 : Jin-Guan-Zheng-VI-0940100754

Hung Chou Fiber Industrial Co., Ltd.

Balance sheet

As at December 31, 2025 and 2024

Unit: NTD thousands

Asset	December 31, 2025		December 31, 2024	
	Amount	%	Amount	%
Current assets:				
1100 Cash and cash equivalents (Note 6(1))	\$ 53,608	2	49,831	2
1110 Financial Assets Measured at Fair Value Through Profit or Loss - Current (Note 6(18))	192,455	7	57,400	2
1120 Financial assets at fair value through other comprehensive income - current (Note 6(2))	3	-	3	-
1150 Notes receivable - net (Notes 6(3) and (15))	10,867	-	45,235	2
1160 Notes receivable - related parties, net (Notes 6(3) and (15) and 7)	67,573	2	57,306	2
1170 Accounts receivable, net (Notes 6(3) and (15))	37,182	1	33,604	1
1180 Accounts receivable - related parties, net (Notes 6(3) and (15) and 7)	3,863	-	-	-
1200 Other receivables	3,328	-	242	-
1210 Other receivables - related parties (Note 7)	15,566	1	13,411	1
130X Inventory (Note 6(4))	533,296	20	500,653	20
1410 Prepayments (Note 9(3))	15,290	1	6,034	-
1479 Other current assets - others	850	-	760	-
	<u>933,881</u>	<u>34</u>	<u>764,479</u>	<u>30</u>
Non-current assets:				
1517 Financial assets at fair value through other comprehensive income - non-current (Note 6(2))	3,147	-	3,147	-
1550 Equity-accounted investments (Note 6(5))	68,093	2	69,743	3
1600 Property, plant and equipment (Notes 6(6), 8, and 9(3))	1,045,235	38	1,038,197	40
1760 Investment property - net (Notes 6(7) and 8)	648,596	25	655,857	26
1840 Deferred income tax assets (Note 6(12))	26,673	1	36,000	1
1900 Other non-current assets (Notes 6(3) and 9(3))	524	-	250	-
	<u>1,792,268</u>	<u>66</u>	<u>1,803,194</u>	<u>70</u>
Total assets	\$ 2,726,149	100	2,567,673	100

Hung Chou Fiber Industrial Co., Ltd.

Balance Sheet (continued)

As at December 31, 2025 and 2024

Unit: NTD thousands

		December 31, 2025		December 31, 2024	
		Amount	%	Amount	%
Liabilities and equity					
Current liabilities:					
2100	Short-term borrowings (Note 6(8))	\$ 362,050	13	247,812	10
2130	Contractual liabilities - current (Note 6(15))	29,954	1	37,237	1
2150	Notes payable	5,332	-	7,746	-
2170	Accounts payable	157,429	6	168,536	7
2180	Accounts payable - related parties (Note 7)	3,908	-	2,298	-
2200	Other payables	103,403	4	60,864	2
2220	Other payables - related parties (Note 7)	290	-	236	-
2230	Current income tax liabilities	2,259	-	-	-
2320	Long-term liabilities due within 1 year or 1 business cycle (Note 6(9))	64,528	2	42,028	2
2399	Other current liabilities - others	4,796	-	3,970	-
		<u>733,949</u>	<u>26</u>	<u>570,727</u>	<u>22</u>
Non-current liabilities:					
2540	Long-term borrowings (Note 6(9))	636,360	24	700,888	27
2570	Deferred income tax liabilities (Note 6(12))	223,530	8	223,673	9
		<u>859,890</u>	<u>32</u>	<u>924,561</u>	<u>36</u>
	Total liabilities	<u>1,593,839</u>	<u>58</u>	<u>1,495,288</u>	<u>58</u>
Equity (Note 6(13)):					
3100	Share capital	1,321,124	48	1,321,124	51
3350	Losses pending reimbursement	(180,111)	(6)	(240,036)	(9)
3400	Other equity items	(8,703)	-	(8,703)	-
	Total equity	<u>1,132,310</u>	<u>42</u>	<u>1,072,385</u>	<u>42</u>
	Total liabilities and equity	<u>\$ 2,726,149</u>	<u>100</u>	<u>2,567,673</u>	<u>100</u>

(Please refer to the attached notes to financial statements)

Chairman:
Cheng-Tien Chan

General Manager:
Cheng-Tien Chan

Accountant Manager:
Wallace Lin

Hung Chou Fiber Industrial Co., Ltd.
Statements of Comprehensive Income
For the periods January 1 to December 31, 2025 and 2024

Unit: NTD thousands

		2025		2024	
		Amount	%	Amount	%
4110	Sales revenues (Notes 6(15) and 7)	\$ 2,123,582	100	2,354,156	100
4170	Less: sales return	2,867	-	7,664	-
4190	Sales discount	1,739	-	3,760	-
	Net operating revenues	2,118,976	100	2,342,732	100
5110	Cost of sale (Notes 6(4) and (11) and 7)	2,007,039	95	2,298,594	98
	Gross profit (loss)	111,937	5	44,138	2
6000	Operating expenses (Notes 6(11) and 7)	46,927	2	49,379	2
	Net operating profit (loss)	65,010	3	(5,241)	-
	Non-operating income and expenses (Notes 6(17) and 7):				
7100	Interest income	26	-	150	-
7010	Other income	9,133	-	1,254	-
7020	Other gains and losses	19,993	1	2,084	-
7050	Financial costs	(21,144)	(1)	(19,727)	(1)
7060	Share of profit/loss from equity-accounted associated companies (Note 6(5))	(1,650)	-	(1,165)	-
		6,358	-	(17,404)	(1)
	Profit (loss) before tax from continuing segments	71,368	3	(22,645)	(1)
7950	Less: income tax expense (benefit) (Note 6(12))	11,443	1	143	-
	Current net income (loss)	59,925	2	(22,788)	(1)
8300	Other comprehensive income for the current period (net, after-tax)	-	-	-	-
	Total comprehensive income for the current period	<u>\$ 59,925</u>	<u>2</u>	<u>(22,788)</u>	<u>(1)</u>
	Earnings (losses) per share (NTD) (Note 6(14))				
9750	Basic earnings (losses) per share	<u>\$ 0.45</u>		<u>(0.17)</u>	
9810	Diluted earnings per share	<u>\$ 0.45</u>		<u>(0.17)</u>	

(Please refer to the attached notes to financial statements)

Chairman:
Cheng-Tien Chan

General Manager:
Cheng-Tien Chan

Accountant Manager:
Wallace Lin

Hung Chou Fiber Industrial Co., Ltd.
Statement of Changes in Equity
For the periods January 1 to December 31, 2025 and 2024

Unit: NTD thousands

	Common share capital	Losses pending reimbursement	Other equity items - unrealized gains (losses) on financial assets at fair value through other comprehensive income	Total equity
Balance as at January 1, 2024	<u>\$ 1,321,124</u>	<u>(217,248)</u>	<u>(8,703)</u>	<u>1,095,173</u>
Current net loss	-	(22,788)	-	(22,788)
Other comprehensive income for the current year	-	-	-	-
Total comprehensive income for the current period	-	(22,788)	-	(22,788)
Balance as at December 31, 2024	<u>1,321,124</u>	<u>(240,036)</u>	<u>(8,703)</u>	<u>1,072,385</u>
Current net income	-	59,925	-	59,925
Other comprehensive income for the current year	-	-	-	-
Total comprehensive income for the current period	-	59,925	-	59,925
Balance as at December 31, 2025	<u><u>\$ 1,321,124</u></u>	<u><u>(180,111)</u></u>	<u><u>(8,703)</u></u>	<u><u>1,132,310</u></u>

(Please refer to the attached notes to financial statements)

Chairman:
Cheng-Tien Chan

General Manager:
Cheng-Tien Chan

Accountant Manager:
Wallace Lin

Hung Chou Fiber Industrial Co., Ltd.

Cash Flow Statement

For the periods January 1 to December 31, 2025 and 2024

	Unit: NTD thousands	
	2025	2024
Cash flow from operating activities:		
Pre-tax profit (loss) for the current period	\$ 71,368	(22,645)
Adjustments:		
Income, expenses, and losses		
Depreciation expenses	46,521	64,569
Net gain on financial assets at fair value through profit or loss	(19,230)	(780)
Interest expenses	21,144	19,727
Interest income	(26)	(150)
Share of profit/loss from equity-accounted associated companies and joint ventures	1,650	1,165
Gain on disposal of property, plant, and equipment	(41)	(79)
Income, expenses, and losses	50,018	84,452
Change in assets and liabilities related to operating activities:		
Net change in assets related to operating activities:		
Financial assets mandatory to be carried at fair value through profit or loss	(115,825)	(55,619)
Notes receivable	34,368	882
Notes receivable - related parties	(10,267)	(20,687)
Accounts receivable	(3,578)	(15,411)
Accounts receivable - related parties	(3,863)	2,779
Other receivables	(3,100)	(217)
Other receivables - related parties	(2,155)	(4,440)
Inventory	(32,643)	(177,189)
Prepayments	(9,256)	(3,253)
Other current assets - others	(90)	-
Net change in assets related to operating activities	(146,409)	(273,155)
Net change in liabilities related to operating activities:		
Notes payable	(2,414)	(5,430)
Accounts payable	(11,107)	95,817
Accounts payable - related parties	1,610	2,298
Other payables	42,464	15,400
Other payables - related parties	54	236
Contractual liabilities	(7,283)	5,314
Other current liabilities - others	826	556
Net change in liabilities related to operating activities	24,150	114,191
Net change in assets and liabilities related to operating activities	(122,259)	(158,964)
Total adjustments	(72,241)	(74,512)
Cash inflow (outflow) from operating activities	(873)	(97,157)
Interests received	26	150
Interests paid	(21,069)	(20,203)
Income tax paid	14	(8)
Net cash inflow (outflow) from operating activities	(21,902)	(117,218)

Hung Chou Fiber Industrial Co., Ltd.

Cash Flow Statement (continued)

For the periods January 1 to December 31, 2025 and 2024

Unit: NTD thousands

	2025	2024
Cash flow from investing activities:		
Acquisition of property, plant and equipment	(46,298)	(28,331)
Disposal of property, plant and equipment	41	79
Other non-current assets	(274)	-
Net cash outflow from investing activities	(46,531)	(28,252)
Cash flow from financing activities:		
(Decrease) increase in short-term borrowings	114,238	43,164
Borrowing of long-term loan	-	450,000
Repayment of long-term borrowings	(42,028)	(360,778)
Net cash inflow (outflow) from financing activities	72,210	132,386
Increase in cash and cash equivalents for the current period	3,777	(13,084)
Opening cash and cash equivalents balance	49,831	62,915
Closing cash and cash equivalents balance	\$ 53,608	49,831

(Please refer to the attached notes to financial statements)

Chairman:
Cheng-Tien Chan

General Manager:
Cheng-Tien Chan

Accountant Manager:
Wallace Lin

Hung Chou Fiber Industrial Co., Ltd.

Notes to Financial Statements

For the Years 2025 and 2024

(Unless otherwise specified, all amounts are presented in NTD thousands)

1. Company history

Hung Chou Fiber Industrial Co., Ltd. (the Company) has been listed for trading on Taiwan Stock Exchange Corporation since December 23, 1975. It has business address registered at 7F, No. 607, Ruigang Road, Neihu District, Taipei City.

Primary business activities of the Company include the manufacturing, processing, and trading of synthetic fibers and plastic filaments.

2. Financial statement approval date and procedures

The standalone financial statements were passed during the board of directors meeting held on March 2, 2026.

3. Application of new and amended standards and interpretations

- (1) Effect of adopting the latest and amended standards and interpretations approved by Financial Supervisory Commission ("FSC")

The Company has applied the following newly amended International Financial Reporting Standards (IFRS) accounting standards starting from January 1, 2025, and they have not had a significant impact on the financial statements:

- Amendments to IAS 21, "Lack of Exchangeability"

- (2) Impact of not adopting FSC-approved IFRS

The Company has assessed that the application of the following newly amended IFRS accounting standards, effective from January 1, 2025, will not have a significant impact on the financial statements:

- IFRS 17 Insurance Contracts and Amendments to IFRS 17
- 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

- (3) Newly published/revised standards and interpretations that are not yet approved by FSC

Below is a list of standards and interpretations amended and announced by International Accounting Standards Board (IASB) that are yet to be approved by FSC but may be relevant to the Company:

New or revised standards	Summary of amendment	Effective date of IASB announcement
International Financial Reporting Standard	The new standard introduces three categories of income and expenses,	January 1, 2027

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

(IFRS) 18
"Presentation and
Disclosure in
Financial Statements" two income statement subtotals, and a single note on management performance measures. These three amendments, along with enhanced guidance on how to disaggregate information in financial statements, lay the foundation for providing users with better and more consistent information and will impact all companies.

More Structured Income Statement:
Under current standards, companies use different formats to present their operating results, making it difficult for investors to compare financial performance across companies. The new standard adopts a more structured income statement, introducing a newly defined "operating profit" subtotal and requiring all income and expenses to be classified into three new distinct categories based on the company's primary operating activities.

Management Performance Measures (MPM): The new standard introduces a definition for management performance measures and requires companies to explain, in a single note to the financial statements, why each measure provides useful information, how it is calculated, and how it is reconciled with amounts recognized under IFRS accounting standards.

More Disaggregated Information: The new standard includes guidance on how companies should enhance the disaggregation of information in financial statements. This includes guidance on whether information should be included in the primary financial statements or further disaggregated in the notes.

The Company continues to evaluate how revisions of the above standards and interpretations affect its financial position and business performance. Outcomes of

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

these assessments will be disclosed upon completion.

The Company expects that the following other newly issued and amended standards, which have not yet been endorsed, will not have a significant impact on the financial statements:

Amendments to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

Amendments to IAS 21 — Translation to a Hyperinflationary Presentation
Currency

4. Summary of significant accounting policies

Below is a summary of significant accounting policies adopted for the preparation of financial statements. Unless otherwise specified, the following accounting policies have been applied consistently across all periods presented in the financial statements.

(1) Statement of compliance

The financial statements have been prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers (the "Preparation Guidelines") and FSC-approved international financial reporting standards, international accounting standards, and interpretations thereof (collectively referred to as "FSC-approved IFRS").

(2) Basis of preparation

1. Basis for measurement

The financial statements are prepared on the basis of historical cost, except for the key balance sheet item listed below:

- (1) Financial assets at fair value through profit or loss;
- (2) Financial assets at fair value through other comprehensive income.

2. Functional currency and presentation currency

The Company has designated its functional currency as the main currency used in the economic environment where operations take place. This financial statement is presented using the Company's functional currency (NTD). All financial figures denominated in NTD have been presented in NTD thousands.

(3) Foreign currency

Foreign currency transactions are converted into the functional currency using exchange rates as of the date of transaction. Foreign currency monetary items outstanding at the end of each reporting period (referred to as reporting date below) are subsequently converted into the functional currency using exchange rate

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

applicable on that day. Foreign currency-denominated non-monetary items carried at fair value are converted into the functional currency using exchange rate as of the date of fair value measurement. Foreign currency-denominated non-monetary items carried at historical cost are converted using exchange rate as of the initial transaction date.

Differences from foreign currency conversion are generally recognized through profit or loss, or recognized through other comprehensive income under the following circumstances:

- (1) Equity instruments designated to be carried at fair value through other comprehensive income;
 - (2) Financial liabilities designated to hedge net investment in foreign operations, within the effective scope of hedge; or
 - (3) Qualifying cash flow hedge, within the effective scope of hedge.
- (4) Classification of current and non-current assets and liabilities

Assets that meet one of the following conditions are classified as current assets; assets that do not meet the criteria for current asset are classified as non-current assets:

1. Assets that are expected to be realized, or intended to be sold or consumed, over the normal operating cycle;
2. Assets that are held mainly for the purpose of trading;
3. Assets that are expected to be realized within twelve (12) months after the end of the reporting period; or
4. Cash or cash equivalents, except those that will be swapped or used to repay liabilities at least 12 months from the reporting period, and those with restricted uses.

Liabilities that match any of the following criteria are classified as current liabilities; liabilities that do not meet the criteria for current liability are classified as non-current liabilities:

1. Liabilities that are expected to be repaid within the normal operating cycle;
2. Liabilities that are held mainly for the purpose of trading;
3. Liabilities that are expected to be repaid within twelve (12) months after the end of the reporting period; or
4. Liabilities with repayment terms that cannot be extended unconditionally beyond twelve (12) months after the reporting period. Liabilities with terms that give counterparties the option to be repaid in the form of equity instruments do not

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

affect their classification.

(5) Cash and cash equivalents

Cash includes cash on hand and demand deposits. Cash equivalent refers to short-term and highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Time deposit that meets the above mentioned definition and is intended to meet short-term cash commitment instead of investment or other purposes is stated as cash equivalent.

Bank overdraft facilities that are immediately repayable and used as part of the Company's cash management are presented as a composition of cash and cash equivalents when preparing the cash flow statement.

(6) Financial instrument

Accounts receivable are initially recognized at the time of occurrence. All other financial assets and financial liabilities are recognized at initiation when the Company becomes a party to a financial instrument contract. Financial assets or liabilities that are not carried at fair value through profit or loss (excluding accounts receivable without major financial component) are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance. Accounts receivable without major financial component are initially measured at transaction price.

1. Financial assets

Purchase and sale of financial asset that conforms with customary practices is accounted using trade day accounting, and the same approach is applied consistently to financial assets of the same classification.

Financial assets are classified at initiation into: financial assets carried at amortized cost, equity instruments at fair value through other comprehensive income, or financial assets at fair value through profit or loss. Only when the Company changes the ways financial assets are managed will it reclassify the affected financial assets according to policy, starting from the next reporting period.

(1) Financial assets carried at amortized cost

Financial assets that meet all of the following conditions and are not designated to be carried at fair value through profit or loss are carried at amortized cost:

- The financial asset is held for the purpose of collecting contractual cash

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

flow.

- Contractual terms of the financial asset give rise to cash flows on specific dates, and the cash flows are intended solely to pay principals and interests accruing on outstanding principals.

These assets are subsequently carried at amortized cost, at the amount of initial cost plus/less accumulated amortization calculated using the effective interest rate method and after adjusting for loss provisions. Interest income, gain/loss on foreign currency exchange, and impairment loss are recognized through profit or loss. When removed from balance sheet, gains or losses are recognized through profit or loss.

(2) Financial assets at fair value through other comprehensive income

At initiation, the Company can make an irrevocable choice to account for subsequent fair value changes through other comprehensive income for equity instruments that are not held for trading. The above choice is determined on an instrument-by-instrument basis.

Investments in equity instruments are subsequently measured at fair value. Dividend income is recognized through profit or loss (unless the dividends clearly represent a partial recovery of the investment cost). Other net gains or losses are recognized through other comprehensive income and are not reclassified into profit or loss.

Dividend income from equity investments are recognized on the day the Company becomes entitled to collect them (which is usually the ex-dividend day).

(3) Financial assets at fair value through profit or loss

Financial assets that are neither carried at amortized cost nor at fair value through other comprehensive income are carried at fair value through profit or loss; this includes derivative financial assets. At initial recognition, the Company can make an irrevocable decision to designate financial assets that satisfy the criteria of being carried at amortized cost or at fair value through other comprehensive income to be carried at fair value through profit or loss, for the purpose of eliminating or reducing accounting mismatch.

These assets are subsequently measured at fair value with net gains or losses (including any dividend and interest income) recognized through profit or loss.

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

(4) Impairment on financial assets

The Company recognizes loss provisions on financial assets carried at amortized cost (including cash and cash equivalents, financial assets carried at amortized cost, notes and accounts receivable, other receivables, guarantee deposits paid, and other financial assets) based on expected credit loss.

Loss provisions for the following financial assets are made based on 12-month expected credit loss; for all other financial assets, loss provisions are made based on expected credit loss for the remaining lifetime:

- Debt securities that are deemed to be of low risk as of the reporting date; and
- Other debt securities and bank deposits that exhibit no significant increase in credit risk (i.e. risk of default over the financial instrument's expected duration) since initial recognition.

Loss provisions for accounts receivable are measured based on expected credit loss over the remaining lifetime.

When assessing whether a financial instrument has significantly increased in credit risk since initial recognition, the Company uses reasonable and verifiable information (that can be obtained without excessive cost or investment) including qualitative and quantitative data in conjunction with its own past experience, credit rating, and forecasts.

The Company considers credit risk to have increased significantly if contractual payment is overdue for more than two months.

The Company considers financial asset to have defaulted if contractual payment is overdue for more than one year, or if the borrower is unlikely to fulfill credit obligation and make pay full payment to the Company.

Expected credit loss for the remaining lifetime refers to the amount of credit losses that the financial instrument is likely to incur due to any possible default event in the remaining lifetime.

12-month expected credit loss refers to the amount of credit loss that a financial instrument may incur due to default event in the next 12 months (or shorter, if the financial instrument's expected remaining lifetime is less than 12 months).

The longest duration by which expected credit loss is measured is the maximum contract duration for which the Company is exposed to credit

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

risk.

Expected credit loss is estimated by weighing credit losses for the remaining lifetime of a financial instrument against probability of occurrence. Credit losses are measured as the shortfall of cash collected, which is the difference between the amount of contractual cash flow collectible and the amount of cash flow the Company expects to collect. Expected credit losses are discounted at effective interest rate applicable to the financial asset.

The Company assesses financial assets carried at amortized cost for credit impairment on every reporting date. A financial asset is deemed to have credit-impaired if estimated future cash flow exhibits one or several adverse events. Evidence of credit impairment includes any observable data that can be used to establish the following with respect to a financial asset:

- The borrower or issuer encounters significant financial distress;
- Event of default, such as delinquency or more than one-year overdue;
- The Company grants compromise to the borrower for reasons relating to financial distress or contractual obligation that the Company would not have done so otherwise;
- The borrower is very likely to file for bankruptcy or undergo financial restructuring; or
- Occurrence of financial distress that may cause the financial asset to be removed from active market.

Loss provisions on financial assets carried at amortized cost are deducted from book value.

When the Company has reason to believe that it may not recover part or all of a financial asset, the total book value of financial asset is reduced directly to reflect the expectation. If the counterparty is a corporate entity, the Company would analyze the timing and amount of charge-off based on rational expectations about recoverability. The Company expects no major reversal of amounts that it has charged off. However, the Company may still make claims on charged-off financial assets according to its recovery procedures.

(5) Removal of financial assets

Financial assets can be removed from balance sheet only if all

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

contractual cash flow entitlements have ended, or if the asset has been transferred with virtually all risks and returns of ownership assumed by another party, or in situations where the Company neither transfers nor retains virtually all risks and returns associated with ownership and retains no control over such financial asset.

The Company will continue recognizing financial assets it has signed transfer agreement for on the balance sheet if it retains virtually all risks and returns associated with the ownership of the transferred asset.

2. Financial liabilities and equity instruments

(1) Classification of liabilities or equity

Debt and equity instruments issued by the Company are classified into financial liabilities or equity depending on the terms of the underlying contract and the definitions of financial liability and equity used.

(2) Equity transactions

Equity instrument refers to any contract that represents the Company's entitlement to assets net of liabilities. Equity instruments issued by the Company are recognized at the amount of proceeds received net of direct issuing costs.

(3) Financial liabilities

Financial liabilities are classified to be carried at amortized cost, and are subsequently carried at amortized cost using the effective interest method. Interest expenses and gains/losses on currency exchange are recognized through profit or loss. When removing from balance sheet, any gains or losses incurred are also recognized through profit or loss.

(4) Removal of financial liabilities

Financial liabilities are removed from balance sheet upon fulfillment, cancellation, or expiry of contractual obligation. If a change in the terms of a financial liability alters cash flow by a significant extent, the old financial liability is removed and a new financial liability will be recognized based on the revised terms.

When removing financial liabilities from balance sheet, any differences between the book value and the amount paid or payable (including any non-cash assets transferred and any liabilities assumed as part of the arrangement) are recognized through profit or loss.

(5) Offset of financial assets and liabilities

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

Financial assets and financial liabilities may be offset against each other and presented in the balance sheet in net amount only when the Company is legally entitled to do so, and has the intention to settle assets and liabilities in net amount or realize them both at the same time.

(7) Inventory

Inventory is valued at the lower of cost and net realizable value. Cost includes all costs incurred to acquire, produce, process, and bring inventory to its usable state and location, and is calculated using the weighted average method. Cost of finished products and work-in-progress includes manufacturing overheads, which are allocated proportionally based on normal production capacity.

Net realizable value refers to the estimated selling price less all additional costs required for completion and all associated marketing expenses under normal circumstances.

(8) Investment in associated companies

Associated company is an entity in which the Company has significant influence over financial and operating decisions, but no single or joint control.

The Company accounts for associated companies using the equity method. Under the equity method, investments are accounted at acquisition cost at initiation; acquisition cost includes transaction cost. The book value of associated company includes goodwill recognized at initiation less any cumulative impairment losses.

The financial statements include profit or loss and other comprehensive income from associated companies, recognized based on percentage of equity ownership and adjusted for consistency of accounting policy, from the day the Company gains significant influence until the day it no longer exercises significant influence. If an associated company undergoes a change of equity that is not attributed to profit, loss, or other comprehensive income and has no impact on the Company's shareholding percentage, the Company will account for changes in ownership interest and its share of equity change in the associated company based on shareholding percentage, and recognize the change as "capital reserve."

Unrealized gains and losses arising from transactions between the Company and associated companies are recognized in corporate financial statements only to the extent of investor's ownership interest in the associated company.

The Company will stop recognizing losses on associated companies when its share of the loss equals or exceeds the value of equity held. The Company will recognize extra losses and liabilities only for legal obligations and constructive

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

obligations occurred, or payments made on behalf of investees.

(9) Investment properties

Investment properties refer to real estate properties that are held for rental income or capital gain, or both, as opposed to normal business activities such as sale, production, supply of products, rendering of services, or administration. Investment properties are initially accounted at cost, and subsequently carried at cost less accumulated depreciation and cumulative impairment. These assets are subject to the same depreciation method and parameters such as useful year and residual value as does property, plant, and equipment.

Gain or loss on disposal of investment property (calculated as the difference between net disposal proceeds and book value of the asset) is recognized through profit or loss.

Rental income from investment properties are recognized as operating revenues using the straight-line method over the lease tenor. Any lease incentives offered are recognized as part of rental income over the lease tenor.

(10) Property, plant, and equipment

1. Recognition and measurement

Property, plant, and equipment are carried at cost (including capitalized borrowing costs) less accumulated depreciation and any cumulative impairment.

Major components of property, plant, and equipment that have different useful lives are accounted as separate categories (of major components).

Gain or loss on disposal of property, plant, and equipment is recognized through profit or loss.

2. Subsequent costs

Subsequent expenditures are capitalized only when the Company is very likely to realize future economic benefits.

3. Depreciation

Depreciation is calculated using the straight-line approach, in which the cost of asset net of residual value is divided by the useful life of each component, and recognized through profit or loss.

No depreciation is provided on land.

The following useful life estimates are used for the current and comparative periods:

Buildings	3-55 years
Machinery equipment	3-15 years
Utility equipment	7-15 years

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

Transportation equipment	3-10 years
Office equipment	3-11 years
Other equipment	3-50 years

The Company reviews its depreciation method, useful life, and residual value estimates yearly on each reporting date. Changes are made as deemed necessary and appropriate.

4. Reclassification to investment properties

Any self-occupied property that is repurposed into investment property shall have book value at the time of repurpose reclassified into investment property.

(11) Leases

The Company evaluates whether a contract meets the criteria of (or contains arrangements characterized as) lease on the day of establishment. A contract is considered as lease or deemed to contain lease elements if it involves a transfer of control over identified assets for a period of time in exchange for consideration.

1. As a lessee

The Company recognizes right-of-use assets and lease liabilities on the lease start date. Right-of-use assets are measured at cost at initiation; this cost includes the initial amount of lease liability, adjusted for any lease payments paid on or before the lease start date, plus any initial direct costs incurred and any estimated costs to dismantle/remove the asset and restore the location or the asset to its original state, less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis from the lease start date until the end of useful life of right-of-use asset or until expiry of the lease tenor, whichever the earlier. Furthermore, the Company regularly assesses right-of-use assets for impairment and accounts for impairment losses as they occur. Right-of-use assets are also adjusted in circumstances where lease liabilities are subject to remeasurement.

Lease liabilities are initially measured as the present value of unpaid lease payments as at the lease start date. Interest rate implicit in a lease is used as the discount rate if it can be easily determined; if the rate can not be easily determined, the Company's incremental borrowing rate will be used as the discount rate instead. In general, the Company uses incremental borrowing rate as the discount rate.

The types of lease payments taken into the calculation of lease liabilities

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

include:

- (1) Fixed payments, including in-kind fixed payments;
- (2) Variable lease payments that are determined by certain index or rate (which are initially measured using index or rate as at the lease start date);
- (3) Amount of residual value guarantee expected to be paid; and
- (4) Amount of strike price or penalty payable, if there is reasonable assurance to exercise the purchasing or termination option.

Lease liabilities subsequently accrue interest using the effective interest approach, and are remeasured in the following circumstances:

- (1) When there is a change in the index or rate used for determining lease payments, which leads to changes in future lease payments;
- (2) When there is a change in the amount of residual value guarantee expected to be paid;
- (3) When there is a change in the assessment of asset purchasing option;
- (4) When there is a change in the likelihood of exercising lease extension/termination option, which may alter expectation about the lease tenor;
- (5) When there is a change in leased asset, scope of lease, or other terms.

When lease liability is remeasured due to: a change in the index or rate used to determine lease payment, a change in guaranteed residual value, or a purchase, extension, or termination of embedded options, a corresponding adjustment is also made to the book value of right-of-use asset at the same time. When book value of the right-of-use asset has been reduced to zero, further remeasurements are recognized through profit or loss instead.

Any contract amendment that reduces the scope of lease is accounted by reducing the book value of right-of-use asset by an amount that reflects partial or total termination of lease arrangement. Any difference between right-of-use asset and remeasured lease liability is recognized through profit or loss.

Right-of-use assets and lease liabilities that do not meet the definition of investment property are presented on the balance sheet as single-line items.

For a contract that contains both lease and non-lease components, the Company would allocate consideration into individual lease components based on relative standalone price. However, when leasing land and building as a lessee, the Company chooses not to separate non-lease component but instead treats lease component and non-lease component as one lease component.

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

For short-term leases and leases of low-value assets, the Company chooses not to recognize right-of-use asset or liability, but instead recognizes lease payments as expenses over the course of the lease tenor on a straight-line basis.

For any change to the basis for determining future lease payments following an interest rate benchmark reform that takes place on or after January 1, 2021, the Company will adopt an amended discount rate that reflects the reform and discount the revised lease payments in order to measure lease liabilities.

2. As a lessor

For lease arrangements where the Company is a lessor, the terms of the lease contract are evaluated to determine whether virtually all risks and returns associated with ownership of the asset are transferred on the day of lease commencement. If so, the contract would be classified as a finance lease; if not, the asset would be classified as an operating lease. When evaluating leases, the Company takes into consideration whether the lease tenor covers a major portion of the asset's useful life, among other indicators.

For lease arrangements where the Company is an intermediate lessor, the Company accounts for the master lease and the sublease separately, and classifies the sublease based on the right-of-use asset given rise by the master lease. If the master lease is short-term in nature and is exempted from lease recognition, the sublease is classified as operating lease.

For a contract that contains both lease and non-lease components, the Company adopts IFRS 15 and allocates considerations accordingly.

For operating leases, the Company recognizes lease payments collected as rental income over the lease tenor on a straight-line basis.

(12) Impairment of non-financial assets

The Company evaluates non-financial assets (excluding inventory and deferred income tax assets) for signs of impairment in the book value on each reporting date. Assets that exhibit any of the signs will have recoverable amount estimated.

For the purpose of impairment testing, assets that generate cash inflows that are largely independent of cash inflows from other assets or groups of assets are determined as a smallest identifiable group of assets.

Recoverable amount is determined as fair value less disposal cost or the utilization value of individual asset or cash-generating unit, whichever the higher.

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

Utilization value is assessed by discounting projected cash flows to the present value using the pre-tax discount rate. This discount rate reflects the time value that the market has currently priced for the given currency, and risks that are specific to the given asset or cash-generating unit.

If the recoverable amount of an individual asset or cash-generating unit falls below its book value, the difference is recognized as impairment loss.

Impairment losses are immediately recognized through current profit or loss against a reduction to the book value of goodwill that has been allocated to the cash-generating unit; any remaining amount of impairment will then be taken to reduce book values of other assets within the unit on a pro-rated basis (i.e. proportionally based on book value weight of each asset).

For non-financial assets, impairment losses can be reversed provided that doing so does not exceed the book value (net of depreciation or amortization) of the particular asset if impairment losses were not recognized in the first place.

(13) Revenue recognition

1. Revenue from contracts with customers

Income is measured as the amount of consideration expected to receive for the delivery of merchandise or service. The Company recognizes income when control of merchandise or service has been transferred to customers and the contractual obligations fulfilled. A more detailed description by main revenue categories is as follows:

(1) Sale of merchandise

The Company recognizes revenues when control of product has been transferred. Product control is deemed to have transferred upon delivery, at a time when customer is able to exercise full discretion over the use of sales channel and selling price and no unfulfilled obligations exist that may otherwise affect customer's acceptance of the product. Delivery is deemed to have taken place when products are shipped to the designated location where all risks of obsolescence and loss are assumed by the customer, and that the customer accepts the products according to sales contract, thereby voiding the acceptance clause, or under any other circumstances where the Company has objective evidence to prove having satisfied all inspection criteria.

The Company recognizes accounts receivable at the time merchandise is delivered, as the Company has unconditional rights to collect

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

consideration at this point.

(2) Financial component

The Company expects no more than one year between the time at which merchandise or service is transferred to customers and the time at which payment is received for such merchandise or service for all its customers. As a result, no time value adjustment is made to the transaction price.

(14) Employee benefits

1. Defined contribution plan

Contributions to the defined contribution plan are expensed over the duration of employees' service.

2. Short-term employee benefits

Short-term employee benefit obligations are expensed at the time service is rendered. If the Company has a statutory or constructive obligation to pay benefits due to services rendered by employees in the past and such obligation can be estimated reliably, the amount is recognized as liability.

(15) Income tax

Income tax expense comprises current income tax and deferred income tax. Current income tax and deferred income tax are recognized through profit or loss, except for amounts that arise in relation to business combination and items that are recognized directly under equity or other comprehensive income.

Based on the Company's judgment, interest and penalties related to income taxes (including uncertainty over income tax treatments) do not meet the definition of income tax, and are therefore subject to the accounting treatment of IAS 37.

Current income tax includes all income taxes refundable/payable for the current year, which is calculated based on current year's taxable income (or loss), plus any adjustment to income tax payable/refundable in previous years. This amount represents the best estimate for the amount payable/collectible using statutory or substantively enacted tax rates as of the reporting date.

Deferred income tax represents the tax impact of temporary differences between asset/liability figures presented for financial reporting purpose and asset/liability figures used for taxation basis. No deferred income tax is recognized on temporary differences that arise under the following circumstances:

1. Initial recognition of assets or liabilities for transactions unrelated to business combination, provided that accounting profit and taxable income (loss) are

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

unaffected at the time of transaction;

2. Temporary differences arising from investment in subsidiaries, associated companies, and joint ventures, where the Company has control over the timing at which temporary difference is reversed and that the temporary difference is unlikely to be reversed in the foreseeable future; and
3. Taxable temporary differences arising from initial recognition of goodwill.

Unused tax losses and tax credits can be carried forward, added to deductible temporary differences, and recognized as deferred income tax assets to the extent that is likely to be offset against taxable income earned in the future. Deferred income tax assets are evaluated on each reporting date. Tax benefits that are not very likely to be realized will be reduced down to the realizable amount, and amounts previously reduced may be reversed up to the point where sufficient taxable income can be generated.

Deferred income tax is calculated using tax rate that is expected to be effective at the time the temporary difference is reversed. In this financial report, the statutory tax rate or substantively enacted tax rate as at the reporting date was used for calculation.

The Company will offset deferred income tax assets against deferred income tax liabilities only when the following conditions are met:

1. When it is legally entitled to offset current income tax assets against current income tax liabilities; and
2. The deferred income tax assets and deferred income tax liabilities arise in relation to income taxes imposed by the same tax authority, and the tax-paying entities meet any of the following conditions:
 - (1) The tax-paying entities are one and the same; or
 - (2) The tax-paying entities are different, but all entities have the intent to settle current income tax liabilities and assets on a netted basis or realize them at the same time, for every future period in which they expect to recover deferred income tax assets and settle deferred income tax liabilities.

(16) Earnings per share

The Company presents earnings per share attributable to the Company's common shareholders in basic and diluted terms. Basic earnings per share of the Company is calculated by dividing the amount of profits attributable to the Company's common shareholders with the weighted average number of outstanding common shares for the given period. Diluted earnings per share is calculated after

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

adjusting the amount of profits attributable to the Company's common shareholders and weighted average number of common shares for the dilutive effect of potential common shares.

(17) Segment information

An operating segment is a section of the Company that generates income and incurs expenses as part of its activities (including income and expenses from transacting with other sections of the Company). Operating results of all segments are reviewed regularly by the Company's main decision maker for resource allocation and performance evaluation. All operating segments report financial information separately.

5. Sources of uncertainty in significant accounting judgments, estimates, and assumptions

When preparing financial statements in compliance with the Preparation Regulations, the management is required to make judgments, estimates, and assumptions in accordance with FSC-approved IFRS. These judgments, estimates, and assumptions may affect adoption of accounting policies and amounts of asset, liability, income, and expense reported. The actual outcome may differ from initial estimates.

The management examines its estimates and assumptions on an ongoing basis. Impacts from changes in accounting estimate are recognized in the year the changes take place and in future years when impacts materialize.

Accounting policies that involve significant judgment and have material effect on the amounts recognized in the financial statements are explained below:

(1) Note 6(8), classification of investment properties

The Company leased out one idle factory premise and land that are held with the intention of generating long-term capital gain or rental income, and therefore reclassified the asset as investment property.

The following assumptions and estimates involve uncertainties that may pose significant risk of material adjustments being made to the book value of assets and liabilities in the next financial year, and are considered to have reflected the impact of COVID-19. Detailed explanation is as follows:

(1) Valuation of inventory

Due to the fact that inventory is measured at the lower of cost and net realizable value, the Company assesses inventory on each reporting date for any decrease in sales value due to normal wear, obsolescence, or absence of market demand, and reduces inventory cost to net realizable value accordingly. Inventory valuation is

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

conducted by estimating product demand within a specific period of time in the future, which may vary significantly due to rapid industry development. For details on inventory valuation, please refer to Note 6(5).

Valuation process

The Company's accounting policies and disclosures include fair value assessments of financial and non-financial assets and liabilities. The Company has implemented internal control systems for fair value measurement; it reviews significant unobservable inputs on a regular basis and makes adjustments accordingly. In situations where information sourced from an external third party (such as broker or pricing service provider) is used as fair value input, the valuation panel will evaluate supporting evidence that the third party has provided for the input, in order to ensure that fair value assessment and classification both conform with International Financial Reporting Standards.

When measuring assets and liabilities, the Company uses observable inputs available on the market wherever possible. Levels of fair value assessment are classified based on the types of input used:

- (1) Level 1: Open market quotation (unadjusted) for the same asset or liability.
- (2) Level 2: Inputs/parameters that are directly observable (i.e. price) or indirectly observable (i.e. inferred from price), other than level 1 inputs (open market quotation).
- (3) Level 3: Market inputs/parameters that are not observable (non-observable parameters).

Policy on changes between fair value inputs

Any transfer between levels of fair value assessment is recognized by the Company on the reporting date.

More information on the assumptions adopted for fair value assessment

Please see Note 6(19) for details on the assumptions adopted for fair value assessment.

6. Notes to major accounts

- (1) Cash and cash equivalents

	December 31, 2025	December 31, 2024
Reserve cash	\$ 130	130
Check deposit	45,522	46,473
Demand deposit	3,666	1,852
Foreign currency deposit	4,290	1,376

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

Cash and cash equivalents presented in the cash flow statement \$ 53,608 49,831

Please see Note 6(19) for detailed disclosure of interest rate risk and sensitivity analysis on the Company's financial assets and liabilities.

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

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Financial assets mandatorily measured at fair value through profit or loss:		
Domestic TWSE/TPEX listed shares	\$ 191,420	57,400
Open-ended funds	1,035	-
Total	<u>\$ 192,455</u>	<u>57,400</u>

As of December 31, 2025 and 2024, none of the Company's financial assets at fair value through profit or loss were pledged as collateral.

(3) Financial assets at fair value through other comprehensive income

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Equity instruments at fair value through other comprehensive income		
Current:		
Domestic TWSE/TPEX listed shares	\$ 3	3
Non-current:		
Domestic unlisted shares	3,147	3,147
Total	<u>\$ 3,150</u>	<u>3,150</u>

1. Equity instruments at fair value through other comprehensive income

This category of equity instruments is held as strategic investments and not for trading, and therefore are designated to be measured at fair value through other comprehensive income.

In 2025 and 2024, the Company did not dispose of any strategic investment or transfer any cumulative gain or loss under equity.

2. Please see Note 6(18) for detailed information on market risk.

3. None of the Company's financial assets was pledged as collateral.

(4) Notes and accounts receivable

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

	December 31, 2025	December 31, 2024
Notes receivable - arising from business activities	\$ 10,867	\$ 45,235
Notes receivable - related parties - arising from business activities	67,573	57,306
Accounts receivable - at amortized cost	37,182	33,604
Accounts receivable - related parties - at amortized cost	3,863	-
	<u>\$ 119,485</u>	<u>136,145</u>

The Company adopted the simplified approach to estimate expected credit loss on all notes and accounts receivable, which involved measuring expected credit loss for the duration of its receivables. To facilitate this approach, notes and accounts receivable were divided into several groups using common credit risk characteristics for assessing customers' ability to pay contractual sum at maturity. This approach incorporates the use of forward-looking information. Expected credit loss analysis for notes and accounts receivable is explained below:

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

	December 31, 2025		
	Book value of notes and accounts receivable	Weighted average expected credit loss rate	Provision for expected credit loss over the remaining duration
Normal	\$ 119,206	0%	-
Overdue 1 - 120 days	279	0%	-
Overdue 121 - 365 days	-	10%	-
Overdue 365 days and above	-	100%	-
	<u>\$ 119,485</u>		<u>-</u>

	December 31, 2024		
	Book value of notes and accounts receivable	Weighted average expected credit loss rate	Provision for expected credit loss over the remaining duration
Normal	\$ 136,028	0%	-
Overdue 1 - 120 days	117	0%	-
Overdue 121 - 365 days	-	10%	-
Overdue 365 days and above	-	100%	-
	<u>\$ 136,145</u>		<u>-</u>

Changes in loss provision on notes receivable and accounts receivable are shown below:

	2025	2024
Opening balance (i.e. closing balance)	<u>\$ -</u>	<u>-</u>

None of the Company's notes receivable and accounts receivable was placed as collateral as at December 31, 2025 and 2024.

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

(4) Inventory

	December 31, 2025	December 31, 2024
Finished goods	\$ 326,396	289,891
Less: loss provisions	<u>(14,906)</u>	<u>(20,246)</u>
Subtotal	<u>311,490</u>	<u>269,645</u>
Work-in-progress	171,730	164,509
Less: loss provisions	<u>(4,370)</u>	<u>(4,173)</u>
Subtotal	<u>167,360</u>	<u>160,336</u>
Raw materials	40,420	54,699
Less: loss provisions	<u>(390)</u>	<u>(1,994)</u>
Subtotal	<u>40,030</u>	<u>52,705</u>
Supplies	39,040	44,232
Less: loss provisions	<u>(24,624)</u>	<u>(26,265)</u>
Subtotal	<u>14,416</u>	<u>17,967</u>
	<u>\$ 533,296</u>	<u>500,653</u>

1. Allowance for inventory devaluation

	2025	2024
Beginning retained earnings	\$ 52,678	57,683
Recognition of inventory devaluation losses (reversal gains)	<u>(8,388)</u>	<u>(5,005)</u>
Closing balance	<u>\$ 44,290</u>	<u>52,678</u>

2. Detailed breakdown of cost of sale:

	2025	2024
Reclassification of inventory sold	\$ 2,020,013	2,277,215
Inventory devaluation losses (reversal gains)	(8,388)	(5,005)
Materials outsourced for processing	(22,007)	(7,059)
Income from sale of scrap	(2,040)	(2,597)
Idle capacity	3,786	19,453
Others (Note)	1,910	718
Lease Cost	<u>13,765</u>	<u>15,869</u>
	<u>\$ 2,007,039</u>	<u>2,298,594</u>

3. In 2025, the Company reversed previously recognized inventory write-downs

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

due to an increase in the net realizable value of inventories. In 2024, the reversal of previously recognized inventory write-downs was attributed to the sale of slow-moving inventories.

4. None of the Company's inventory was pledged as collateral.

(6) Investments accounted using the equity method

The Company's equity-accounted investments as at the reporting date are presented below:

	December 31, 2025	December 31, 2024
Associated companies	<u>\$ 68,093</u>	<u>69,743</u>

1. Associated companies

Information of associated companies that are significant to the Company:

Name of associated company	Nature of relationship with the Company	Main business activities Place/ country of registration	Percentage of ownership/voting right	
			December 31, 2025	December 31, 2024
Da Yi International Development Co., Ltd.	Development of residential and commercial buildings	Taiwan	7.10%	7.10%

The following is an aggregate disclosure of financial information for the Company's significant associated companies. The figures reported on IFRS-compliant financial statements of each associated company have been adjusted to reflect the amount of adjustments the Company had made for fair value and differences in accounting policy at the time of acquisition:

	December 31, 2025	December 31, 2024
Current assets	\$ 6,386	10,276
Non-current assets	1,856,268	1,856,516
Current liabilities	(138,106)	(912)
Non-current liabilities	(765,037)	(883,120)
Net asset	<u>\$ 959,511</u>	<u>982,760</u>
Net asset attributable to non-controlling owners	<u>\$ -</u>	<u>-</u>
Net asset attributable to owners of the investee	<u>\$ 959,511</u>	<u>982,760</u>
	2025	2024
Operating revenues	<u>\$ 4,533</u>	<u>11,613</u>

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

Current net income (loss) from continuing operations	(23,249)	(16,417)
Total comprehensive income	<u>\$ (23,249)</u>	<u>(16,417)</u>
Total comprehensive income attributable to non-controlling owners	<u>\$ -</u>	<u>-</u>
Total comprehensive income attributable to owners of the investee	<u>\$ (23,249)</u>	<u>(16,417)</u>
	2025	2024
Share of associated company's net asset - opening	\$ 69,743	70,908
Share of net asset in associated companies acquired in the current period	(1,650)	-
Total comprehensive income attributable to the Company - current	-	(1,165)
Share of associated company's net asset - closing	68,093	69,743
Closing book value of equity in associated company	<u>\$ 68,093</u>	<u>69,743</u>

2. Collaterals

None of the Company's equity-accounted investment was pledged as collateral as at December 31, 2025 and 2024.

(7) Property, plant and equipment

Changes in cost and accumulated depreciation of the Company's property, plant, and equipment for 2024 and 2023 are explained below:

	Land	Buildings	Machinery equipment	Utility equipment	Transportation equipment	Office equipment	Other equipment	Leased assets	Construction in progress and equipment pending inspection	Total
Cost:										
Balance as at January 1, 2025										
Addition	\$726,835	569,186	3,522,642	227,178	12,605	21,459	264,213	211,734	-	5,555,852
Disposal/scraping	-	1,135	1,067	40,827	-	551	1,004	-	1,714	46,298
Reclassification	-	(880)	-	-	(840)	(23)	(1,148)	-	-	(2,891)
Balance as at December 31, 2025	-	-	1,851	-	-	-	-	(1,851)	-	-
Balance as at January 1, 2024	<u>\$ 726,835</u>	<u>569,441</u>	<u>3,525,560</u>	<u>268,005</u>	<u>11,765</u>	<u>21,987</u>	<u>264,069</u>	<u>209,883</u>	<u>1,714</u>	<u>5,599,259</u>
Addition	\$726,835	568,650	3,505,152	227,178	12,268	24,604	259,192	211,409	3,655	5,538,943
Disposal/scraping	-	536	1,513	180	1,937	672	1,448	-	22,045	28,331
Reclassification	-	-	(1,851)	-	(1,600)	(3,817)	(4,817)	-	-	(12,085)
Balance as at December 31, 2024	-	-	17,828	(180)	-	-	8,390	325	(25,700)	663
Accumulated depreciation:	<u>\$ 726,835</u>	<u>569,186</u>	<u>3,522,642</u>	<u>227,178</u>	<u>12,605</u>	<u>21,459</u>	<u>264,213</u>	<u>211,734</u>	<u>-</u>	<u>5,555,852</u>
Balance as at January 1, 2025										

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

	Land	Buildings	Machinery equipment	Utility equipment	Transport ation equipment	Office equipment	Other equipment	Leased assets	Constructi on in progress and equipment pending inspection	Total
Depreciation	\$ -	379,932	3,460,805	225,822	10,437	20,733	242,497	177,429	-	4,517,655
Disposal/scrapping	-	10,013	12,223	1,011	604	493	3,889	11,027	-	39,260
Reclassification	-	(880)	-	-	(840)	(23)	(1,148)	-	-	(2,891)
Balance as at December 31, 2025	-	-	1,851	-	-	-	-	(1,851)	-	-
Balance as at January 1, 2024	\$ -	389,065	3,474,879	226,833	10,201	21,203	245,238	186,605	-	4,554,024
Depreciation	\$ -	368,339	3,435,501	224,585	11,572	24,228	243,908	164,371	-	4,472,504
Disposal/scrapping	-	11,593	27,155	1,237	465	322	3,406	13,058	-	57,236
Reclassification	-	-	(1,851)	-	(1,600)	(3,817)	(4,817)	-	-	(12,085)
Balance as at December 31, 2024	\$ -	379,932	3,460,805	225,822	10,437	20,733	242,497	177,429	-	4,517,655
Book value:										
December 31, 2025	\$ 726,835	180,376	50,681	41,172	1,564	784	18,831	23,278	1,714	1,045,235
January 1, 2024	\$ 726,835	200,311	69,651	2,593	696	376	15,284	47,038	3,655	1,066,439
December 31, 2024	\$ 726,835	189,254	61,837	1,356	2,168	726	21,716	34,305	-	1,038,197

- On September 2, 2019, the Company purchased land located at Fengshukeng Section, Guishan District, Taoyuan City for a sum of NT\$40,590 thousand (including other acquisition costs). Due to the fact that the land was registered for agricultural use, the laws require the purpose of land to be changed before ownership transfer. For this reason, arrangements were made to have the land registered under the title of a natural person, and a mandate contract has been signed with the registered owner along with the completion of asset security measures. Ownership of the property will be transferred to the Company at an appropriate time.
- Please see Note 8 for details on bank borrowings and collaterals pledged to secure credit limits as at December 31, 2025 and 2024.

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

(8) Investment properties

Change of investment properties in 2025 and 2024 is explained below:

	Land and increase from revaluation	Buildings	Total
Cost:			
Balance as at January 1, 2025	\$ 337,208	441,607	778,815
Balance as at December 31, 2025	\$ 337,208	441,607	778,815
Balance as at January 1, 2024	\$ 337,208	441,607	778,815
Balance as at December 31, 2024	\$ 337,208	441,607	778,815
Accumulated depreciation:			
Balance as at January 1, 2025	\$ -	122,958	122,958
Depreciation	-	7,261	7,261
Balance as at December 31, 2025	\$ -	130,219	130,219
Balance as at January 1, 2024	\$ -	115,625	115,625
Depreciation	-	7,333	7,333
Balance as at December 31, 2024	\$ -	122,958	122,958
Book value:			
December 31, 2025	\$ 337,208	311,388	648,596
January 1, 2024	\$ 337,208	325,982	663,190
December 31, 2024	\$ 337,208	318,649	655,857
Fair value:			
December 31, 2025			\$ 1,641,064
December 31, 2024			\$ 1,477,032

1. Fair value of investment properties is determined based on market price of nearby areas and valuation by independent valuer (one that possesses relevant and professional qualification and recent experience in valuing investment properties of similar location and category). The fair value assessment made use of level 3 input.
2. Please see Note 8 for details on bank borrowings and collaterals pledged to secure credit limits as at December 31, 2025 and 2024.

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

(9) Short-term borrowings

Detailed breakdown of short-term borrowings:

	December 31, 2025	December 31, 2024
Secured bank borrowing	\$ -	89,240
Unsecured bank borrowing	362,050	158,572
Total	<u>\$ 362,050</u>	<u>247,812</u>
Unused limit	<u>\$ 559,973</u>	<u>700,717</u>
Interest rate range	<u>1.98%</u>	<u>1.995%~2.078%</u>

For details on bank borrowings secured by the Company's assets, please see Note 8.

(9) Long-term borrowing

Detailed breakdown of long-term borrowings:

December 31, 2025				
	Currency	Interest rate range	Year of maturity	Amount
Secured bank borrowing	NTD	2.23%~2.56%	118~128	\$ 700,888
Less: portion maturing within 1 year				(64,528)
Total				<u>\$ 636,360</u>
Unused limit				<u>\$ -</u>

December 31, 2024				
	Currency	Interest rate range	Year of maturity	Amount
Secured bank borrowing	NTD	2.23%~2.56%	118~128	\$ 742,916
Less: portion maturing within 1 year				(42,028)
Total				<u>\$ 700,888</u>
Unused limit				<u>\$ -</u>

For details on bank borrowings secured by the Company's assets, please see Note 8.

(10) Operating lease - as a lessor

The Company leases out its investment properties, and classifies these leases as operating lease considering that there is no transfer of virtually all risks and returns associated with ownership of the underlying asset. Please see Note 6(8) - Investment property for details.

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

Maturity analysis on lease payments is performed using the sum of undiscounted lease payments expected to be collected after the reporting date, and is presented in the following chart:

	December 31, 2025	December 31, 2024
Less than 1 year	\$ 42,052	37,019
1 to 2 years	40,708	36,746
2 to 3 years	40,425	35,436
3 to 4 years	15,617	35,498
4 to 5 years	4,342	10,273
More than 5 years	9,382	18,082
Sum of undiscounted lease payments	<u><u>\$ 152,526</u></u>	<u><u>173,054</u></u>

Rental income generated from investment properties totaled NT\$39,640 thousand in 2025 and NT\$36,747 thousand in 2024.

(11) Employee benefits

Defined contribution plan

The Company's defined contribution plan complies with the Labor Pension Act, in which the Company contributes an amount equal to 6% of employees' salaries each month to employees' pension accounts held with the Bureau of Labor Insurance. Under this plan, the Company would be freed of pension obligations (whether legal or constructive) once it has contributed this amount to the Bureau of Labor Insurance.

Pension expenses recognized for the defined contribution plan in 2025 and 2024 are explained below, which have been contributed to the Bureau of Labor Insurance:

	2025	2024
Operating costs	\$ 4,365	4,432
Administrative expenses	456	479
Total	<u><u>\$ 4,821</u></u>	<u><u>4,911</u></u>

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

(12) Income tax

- Below are details of the Company's income tax expenses (benefits) for 2025 and 2024

	2025	2024
Current income tax expense	\$ 2,259	-
Deferred income tax expense (benefit)	9,184	143
Income tax expense (benefit)	\$ 11,443	143

Reconciliation of income tax expense (benefit) and pre-tax profit (loss),
2024 and 2023:

	2025	2024
Pre-tax profit (loss)	\$ 71,368	(22,645)
Income tax calculated using the local tax rate	\$ 14,273	(4,529)
Change in unrecognized temporary difference	(1,243)	(768)
Alternative Minimum Tax (AMT)	2,259	-
Current taxable losses for which no deferred tax assets were recognized	-	5,568
Gains on valuation of financial assets	(3,846)	(156)
Tax-exempt income	-	28
Income tax expense (benefit)	\$ 11,443	143

- Deferred income tax assets and liabilities

- Items not recognized as deferred income tax asset

The following items were not recognized as deferred income tax asset:

	December 31, 2025	December 31, 2024
Tax losses	\$ 43,086	79,443
Others	12,920	13,960
	\$ 56,006	93,403

Tax losses, as defined in the Income Tax Act, are losses certified by the tax authority in the last 10 years that can be taken to reduce current year's taxable income before applying the income tax rate. Tax losses were not recognized as deferred income tax asset because the Company is not very likely to generate adequate taxable income to offset tax losses in the future.

- Recognized amounts of deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities in 2024 and 2023 are explained below:

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

Deferred income tax liabilities:

	Incremental land value from revaluation	Others	Total
Balance as at January 1, 2025	\$ 223,456	217	223,673
(Credits) debits to income statement	-	(143)	(143)
Balance as at December 31, 2025	<u>\$ 223,456</u>	<u>74</u>	<u>223,530</u>
Balance as at January 1, 2024	\$ 223,456	74	223,530
(Credits) debits to income statement	-	143	143
Balance as at December 31, 2024	<u>\$ 223,456</u>	<u>217</u>	<u>223,673</u>

Deferred income tax assets:

	Loss carried forward
Balance as at January 1, 2024	\$ 36,000
Debit (Credit) to Profit or Loss	(9,327)
Balance as at December 31, 2024	<u>\$ 26,673</u>
Balance as at January 1, 2023	<u>\$ 36,000</u>
Balance as at December 31, 2023	<u>\$ 36,000</u>

(3) Tax losses not yet deducted as at December 31, 2025 have the following expiries:

Year of loss	Losses not yet deducted	Final year available for deduction
2016	\$ 46,191	2026
2020	142,222	2030
2022	107,729	2032
2024	52,654	2034
	<u>\$ 348,796</u>	

3. Assessment of income tax return

The Company's profit-seeking enterprise income tax returns have been certified by the tax authority up until 2023.

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

(14) Capital and other equity items

1. Issuance of common shares

The Company had authorized capital of \$3,500,000 thousand as at December 31, 2024 and 2023, available in 350,000,000 shares at a face value of NT\$10 per share. 132,112,000 shares were outstanding on both dates. All issued shares had been fully paid up.

Private placement of securities as at December 31, 2021:

Type of security	Time of issuance	Number of shares issued (thousands)	Price of private placement per share (NTD)	Amount of privately placed share capital (NTD thousands)
Common share	June 17, 2015	30,000	\$ 6.5	\$ 195,000

The above private placement of common shares and subsequent distribution of stock dividends are subject to comply with Article 43-8 of the Security and Exchange Act. A public offering request for the above shares can be submitted to the Financial Supervisory Commission 3 years after the day the privately placed common shares are delivered, and only then can requests be raised with Taiwan Stock Exchange Corporation for TWSE listing.

2. Retained earnings

According to the Articles of Incorporation, the Company may distribute earnings or use them to reimburse losses on a half-yearly basis. Any earnings concluded at the end of each half-year shall first be taken to offset cumulative losses (including adjustment of unappropriated earnings) followed by a 10% provision for legal reserve unless the legal reserve has accumulated to an amount equal to paid-up capital. The remaining balance of net income is then subject to provision or reversal of special reserve pursuant to laws or the authority's instructions. Part of the earnings may be retained, and the remaining balance can be added to cumulative unappropriated earnings carried from the previous half-year (including adjustment of unappropriated earnings) and proposed for distribution by the board of directors. Distribution through issuance of new shares will have to be resolved in a shareholder meeting; distribution in cash is subject to resolution of the board of directors.

Any current net income concluded at year-end closing shall first be taken to offset cumulative losses (including adjustment of unappropriated earnings), followed by a 10% provision for legal reserve unless the legal reserve has

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

accumulated to an amount equal to paid-up capital. The remaining balance of net income is then subject to provision or reversal of special reserve pursuant to laws or the authority's instructions. Part of the earnings may be retained, and the remaining balance can be added to cumulative unappropriated earnings carried from the previous half-year (including adjustment of unappropriated earnings), which the board of directors may propose to distribute in the form of dividends for shareholders' resolution.

The Company's dividend policy has been established to accommodate current and future development plans after taking into consideration the investment environment, capital requirement, domestic/foreign competition, and shareholders' interests. No less than 10% of distributable earnings from the above shall be paid as dividend each year. Dividends can be paid in cash or in shares, with cash dividends amounting to no less than 10% of total dividends.

(1) Legal reserve

The Company may distribute legal reserve in cash or in new shares in the absence of cumulative losses, subject to resolution in a shareholder meeting; however, only the amount of legal reserve that exceeds 25% of paid-up capital is distributable.

(2) Earnings distribution

The Company's 2024 loss reimbursement proposal was resolved during the annual general meeting held on May 28, 2025. No earning was available for distribution in 2024 as the Company reported cumulative losses.

The Company's 2023 loss reimbursement proposal was resolved during the annual general meeting held on May 27, 2024. No earning was available for distribution in 2023 as the Company reported cumulative losses.

(15) Earnings (losses) per share

Calculation of basic and diluted earnings (losses) per share is explained below:

	2025	2024
Net income (loss) attributable to common shareholders of the Company	<u>\$ 59,925</u>	<u>(22,788)</u>
Weighted average outstanding common shares	<u>132,112</u>	<u>132,112</u>
Basic and diluted earnings (losses) per share	<u>\$ 0.45</u>	<u>(0.17)</u>

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

(16) Revenue from contracts with customers

1. Breakdown of income

	2025	2024
Main regions and markets:		
Taiwan	\$ 2,092,712	2,312,667
Other countries	26,264	30,065
	<u>\$ 2,118,976</u>	<u>2,342,732</u>
Main products:		
Polyester filament	\$ 1,763,426	1,837,763
Polyester chip	288,415	460,460
Yarn	27,411	7,443
Rental income	39,640	36,747
Others	84	319
	<u>\$ 2,118,976</u>	<u>2,342,732</u>

2. Contract balance

	December 31, 2025	December 31, 2024	January 1, 2024
Notes and accounts receivable (including related parties and overdue balance)	\$ 119,485	136,145	103,708
Less: loss provisions	-	-	-
Total	<u>\$ 119,485</u>	<u>136,145</u>	<u>103,708</u>
Contractual liabilities	<u>\$ 29,954</u>	<u>37,237</u>	<u>31,923</u>

Please refer to Note 6(3) for disclosures on notes and accounts receivable and impairment.

Contractual liabilities arise mainly as a result of advance receipts collected on merchandise sales contracts; these liabilities are reclassified into income at the time merchandise is handed over to customers.

NT\$37,237 thousand and NT\$31,923 thousand of opening contractual liabilities as at January 1, 2025 and 2024, were later recognized as income for 2024 and 2023, respectively.

(17) Remuneration to employees, directors, and supervisors

According to the Articles of Incorporation, profits concluded in a year (refers to profit before tax, employee remuneration, and director/supervisor remuneration) are subject to employee remuneration of 2% and director/supervisory remuneration of no more than 2%. However, profits must first be reserved to offset against

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

cumulative losses (including adjustment of unappropriated earnings) if any. Employee remuneration in the preceding paragraph can be paid in cash or in shares. Payments may also be made to employees of subordinate companies that satisfy the eligibility criteria set forth by the board of directors. The director/supervisor remuneration mentioned in the preceding paragraph may be paid in cash only.

The Company reported cumulative losses in 2025 and 2024, and therefore was not required to allocate remuneration for employees, directors, or supervisors. Visit the Market Observation Post System for more information.

(18) Non-operating income and expense

1. Other income

Breakdown of other income of the Company:

	2025	2024
Electricity Saving Ancillary Service Revenue	\$ 6,143	-
Others	2,990	1,254
	<u>\$ 9,133</u>	<u>1,254</u>

2. Other gains and losses

Breakdown of other gains and losses of the Company:

	2025	2024
Gain on disposal of property, plant, and equipment	\$ 41	79
Gain on currency exchange	722	1,225
Gain on financial assets at fair value through profit or loss	19,230	780
	<u>\$ 19,993</u>	<u>2,084</u>

4. Financial cost

Breakdown of financial cost of the Company:

	2025	2024
Interest expenses	<u>\$ 21,144</u>	<u>19,727</u>

(19) Financial instruments

1. Credit risk

(1) Amount of maximum credit risk exposure

For financial assets, the book value represents the maximum credit risk exposure.

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

(2) Concentration of credit risk

There was no significant concentration of sales to any single customer as the Company sells to a broad customer base and diverse locations. As a result, there was no significant concentration of credit risk in accounts receivable. The Company also monitors customers' financial position on a regular basis as a means to reduce credit risk, and generally does not require collaterals from customers.

(3) Credit risk of receivables and debt securities

For credit risk information on notes receivable and accounts receivable, please refer to Note 6(4).

There was no overdue collection of other financial assets carried at amortized cost or other receivables in 2025 or 2024, hence no loss provision was made.

The financial assets mentioned above are deemed to be of low risk, therefore provisions are made based on 12-month expected credit loss (please see Note 4(6) for details on the methods taken to establish low credit risk).

2. Liquidity risk

The following shows the expiry dates of financial liabilities, including estimated interest but excluding the effect of net agreements.

	Book amount	Contractual cash flow	Within 1 year	1-2 years	2-5 years	More than 5 years
December 31, 2025						
Floating rate instruments	\$ 1,062,938	1,064,112	427,752	64,528	396,084	175,748
Non-interest bearing liabilities	270,362	270,362	270,362	-	-	-
	\$ 1,333,300	1,334,474	698,114	64,528	396,084	175,748
December 31, 2024						
Floating rate instruments	\$ 990,728	992,346	291,458	64,528	441,084	195,276
Non-interest bearing liabilities	239,680	239,680	239,680	-	-	-
	\$ 1,230,408	1,232,026	531,138	64,528	441,084	195,276

The Company does not expect cash flows in the maturity analysis to occur at any earlier time, or in amounts that differ significantly.

3. Exchange rate risk

(1) Exchange rate risk exposure

The Company had the following financial assets and liabilities that were exposed to significant foreign currency/exchange rate risk:

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

	December 31, 2025			December 31, 2024		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 288	31.43	9,052	57	32.79	1,869
JPY	-	-	-	-	-	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	116	31.43	3,646	12	32.79	393

(2) Sensitivity analysis

Exchange rate risk of the Company arises primarily from the conversion of cash, cash equivalents, and accounts receivable denominated in foreign currencies. Conversion of foreign currency-denominated amounts gives rise to gains/losses on exchange. If NTD weakened/strengthened against USD by 1% while all other factors remained unchanged as at December 31, 2025 and 2024, profit before tax would have increased/decreased by NT\$11 thousand and NT\$10 thousand, respectively, in 2025 and 2024. Analyses for the two periods were conducted on the same basis.

4. Interest rate risk

Interest rate risk exposure concerning the Company's financial liabilities has been explained as part of liquidity risk management in this footnote.

The following sensitivity analysis has been prepared based on interest rate risk exposures of derivatives and non-derivatives as at the reporting date. For liabilities that bear floating interests, the analysis is conducted by assuming that the amount of liabilities outstanding as at the reporting date remained outstanding throughout the entire year. Interest rate sensitivity analyses are reported to the management by applying a variance of 1% above and below. This variance conforms with the management's expectation about the possible and reasonable range of interest rate variation.

If interest rate increased/decreased by 1% while other variables remained unchanged, the Company's pre-tax profit would have decreased/increased by NT\$9,875 thousand and NT\$8,375 thousand in 2024 and 2023, respectively. This is primarily attributed to floating rate borrowings.

6. Fair value information

(1) Category and fair value of financial instruments

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

Financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured at fair value on a recurring basis. Book value and fair value of financial assets and liabilities are shown below (categorized by level of fair value input; however, it is not required to disclose fair value information for financial instruments that are not subject to fair value assessment and where the book value resembles the fair value):

December 31, 2025					
	Book amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
TWSE/TPEX listed shares	\$ 192,455	192,455	-	-	192,455
Financial assets at fair value through other comprehensive income					
TWSE/TPEX listed shares	3	3	-	-	3
Equity instruments without open quotation carried at fair value	3,147	-	-	3,147	3,147
Total	<u>\$ 195,605</u>	<u>192,458</u>	<u>-</u>	<u>3,147</u>	<u>195,605</u>
December 31, 2024					
	Book amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
TWSE/TPEX listed shares	\$ 57,400	57,400	-	-	57,400
Financial assets at fair value through other comprehensive income					
TWSE/TPEX listed shares	3	3	-	-	3
Equity instruments without open quotation carried at fair value	3,147	-	-	3,147	3,147
Total	<u>\$ 60,550</u>	<u>57,403</u>	<u>-</u>	<u>3,147</u>	<u>60,550</u>

(2) Fair value assessment techniques for financial instruments not carried at

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

fair value

The Company adopts the following methods and assumptions to estimate the value of instruments that are not carried at fair value:

(2.1) Financial assets and liabilities carried at amortized cost

Where transaction data or quotation from a market maker exists, the latest transaction price or quotation is used as the fair value. If no indicative market value is available, fair value shall be estimated using the valuation approach. In the valuation approach, fair value is estimated by calculating the present value of future cash flows.

(3) Fair value assessment techniques for financial instruments carried at fair value

Financial instruments that are openly quoted in an active market will have fair value determined at the openly quoted price. Fair values of public-listed (OTC-traded) equity instruments openly quoted in active markets are determined using market prices quoted on major exchange and OTC center for actively traded government bonds.

A financial instrument is deemed to be openly quoted on an active market if reliable quotations (that are representative of transactions actually and frequently taking place in a fair market) can be obtained from stock exchange, brokers, underwriters, industry associations, pricing institutions, or the authority on a timely and frequent basis. A market is deemed inactive if it fails to satisfy the above conditions. In general, increasing or excessive bid-ask spread and lack of transaction volume are considered signs of inactive market.

Financial instruments held by the Company are classified into the following categories based on how fair value is determined:

- Financial instruments with active market: refers to public listed and OTC-traded shares. Their fair values are determined based on market quotations.
- Financial instruments without active market: Fair value is estimated using the comparable company approach, which infers the investee's value based on market quotations and net worth multiples of comparable public-listed (or OTC-traded) companies. This estimate has already been adjusted and discounted for equity security's lack of marketability.

(4) Change between level 1 and level 2: None.

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

(5) Details of level 3 changes

	At fair value through other comprehensive income
	Equity instruments without open quotation
January 1, 2025	\$ 3,147
December 31, 2025	\$ 3,147
January 1, 2024	\$ 3,147
December 31, 2024	\$ 3,147

(6) Quantitative information of significant and unobservable fair value input (level 3)

Assets that involve the use of level 3 fair value input are financial assets at fair value through other comprehensive income - equity securities, which are equity instruments without active market.

Valuation techniques and significant unobservable inputs used to determine fair value for this type of equity instruments are explained below:

Section	Valuation technique	Significant unobservable input	Relationship between fair value and significant unobservable input
Financial assets at fair value through other comprehensive income - equity instruments without active market	Comparable listed company approach	- Price-to-book multiple (1.20 and 1.45 as at December 31, 2025 and 2024, respectively) - Discount for lack of liquidity (20.53% and 20.53% as at December 31, 2025 and 2024, respectively)	- The higher the multiple, the higher the fair value. - The higher discount for lack of liquidity, the lower the fair value

(7) Sensitivity of reasonable, possible alternative assumptions on fair value, for items that are subject to level 3 fair value input

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

The Company considers its fair value assessment of financial instruments to be reasonable, but uses of different valuation model or parameter may lead to different results. For financial instruments that involve the use of level 3 input, impacts on current other comprehensive income in the event of a change in valuation parameter are explained below:

		Upward/ downward variation	Fair value changes reflected in other comprehensive income	
Input			Favorable variation	Adverse variation
December 31, 2025				
Financial assets at fair value through other comprehensive income				
Equity instruments without active market	Price-to-book multiple	±10%	\$ 262	(262)
	Discount for lack of liquidity	±10%	\$ 68	(68)
December 31, 2024				
Financial assets at fair value through other comprehensive income				
Equity instruments without active market	Price-to-book multiple	±10%	\$ 316	(316)
	Discount for lack of liquidity	±10%	\$ 102	(275)

(20) Financial risk management

1. Overview

Use of financial instrument exposes the Company to the following risks:

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

This footnote discloses exposure, assessment, and the Company's management goals, policies, and procedures for the above mentioned risks. For further quantitative disclosures, please see notes to the financial statement.

2. Risk management framework

The Company has established its risk management policy to identify and analyze the risks associated with business activities, to set appropriate risk limits and controls, and to monitor risk exposures as well as compliance with various risk limits. The risk management policy and system are regularly examined to reflect changes in market condition and the Company's operations. The Company develops a disciplined and constructive control environment through training, management guidelines, and operating procedures, so that all employees are able to comprehend their roles and duties.

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

3. Credit risk

Credit risk refers to the risk of financial loss the Company may incur due to its customers or financial instrument counterparties being unable to fulfill contractual obligations. Credit risk mainly arises from customers' accounts receivable and securities investment.

(1) Accounts receivable and other receivables

There was no significant concentration of sales to any single customer and the Company sells its products to diversified locations. As a result, there was no significant concentration of credit risk in accounts receivable. The Company also monitors customers' financial position on a regular basis as a means to reduce credit risk, and generally does not require collaterals from customers.

(2) Investments

Credit risks associated with bank deposit, fixed income investment, and other financial instruments are assessed and monitored by the Company's Treasury Department. The Company transacts and deals only with banks of strong credit standing and financial institutions and organizations of investment grade and above, hence there is no material concern of default or significant exposure of credit risk.

4. Liquidity risk

The Company maintains sufficient share capital and working capital to meet all contractual obligations, and hence is not exposed to the risk of being unable to meet contractual obligations due to insufficient liquidity.

The Company will arrange its financing and investing activities according to working capital requirements and capital utilization plans, and therefore does not expect any material liquidity risk.

5. Market risk

Market risk refers to the effect a change of market price may have on the income or value of financial instruments held on hand, whether it is an exchange rate instrument, interest rate instrument, equity instrument or otherwise. The goal of market risk management is to control market risk exposure within a tolerable range while optimizing investment returns.

(1) Exchange rate risk

The Company is exposed to exchange rate risks arising from sales and purchases that are denominated in non-functional currencies. NTD

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

represents the Company's main functional currency. The above mentioned transactions are primarily denominated in currencies such as NTD, USD, and JPY.

For monetary assets and liabilities denominated in other foreign currencies, the Company buys in or sell off foreign currencies at the spot exchange rate whenever a short-term mismatch arises, and in doing so ensures that the net exposure is kept within the tolerable level.

(2) Interest rate risk

Floating-rate assets mainly comprise bank deposits, whereas floating-rate liabilities are mostly long-term and short-term borrowings. Based on evaluation, the Company expects no material cash flow risk from market rate changes.

(3) Other price risks

The Company is exposed to the risk of equity price variation due to investment in equity securities. These equity investments are held as strategic investments and not for trading. The Company does not actively trade the above investments; risk is managed by holding portfolios of different risk profile.

(21) Capital management

Objectives of the Company's capital management practices are to ensure the ability to sustain operations, deliver shareholder returns, and perform in line with the interests of other stakeholders while maintaining optimal capital structure for minimal funding cost.

The Company may maintain or adjust its capital structure by changing the amounts of dividend paid, reducing and refunding share capital back to shareholders, issuing new shares, or liquidating assets against liabilities.

The Company manages capital using debt-to-capital ratio as the primary form of measurement. This ratio is calculated by dividing net liabilities with gross capital. Net liabilities are calculated by deducting cash and cash equivalents from total liabilities, as shown in the balance sheet. Gross capital refers to the sum of all equity components (meaning share capital, capital reserve, retained earnings, and other equity items) plus net liabilities.

The Company's capital management strategy in 2024 was identical to 2023, which involved maintaining debt-to-capital ratio within a certain range to ensure financing at reasonable cost.

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

Debt-to-capital ratio as at December 31, 2024 and 2023, is as follows:

	December 31, 2025	December 31, 2024
Total liabilities	\$ 1,593,839	1,495,288
Less: Cash and cash equivalents	53,608	49,831
Net liabilities	1,540,231	1,445,457
Total equity	1,132,310	1,072,385
Capital after adjustment	<u><u>\$ 2,672,541</u></u>	<u><u>2,517,842</u></u>
Debt-to-capital ratio	<u><u>57.63%</u></u>	<u><u>57.41%</u></u>

7. Related party transactions

(1) Parent company and the ultimate controller

Yi Jinn Industrial Co., Ltd. is the Company's parent and the ultimate controller of the group, which directly and indirectly controls 40.69% of the Company's outstanding common shares. Although shareholding percentage does not exceed 50%, Yi Jinn Industrial still treats the Company as a subsidiary for exercising control. Yi Jinn Industrial Co., Ltd. prepares consolidated financial statements for public use.

(2) Name and relationship of related parties

Transactions with related parties that occurred within the period of the financial statements are as follows:

Name of related party	Relationship with the Company
Yi Jinn Industrial Co., Ltd. (Yi Jinn)	The Company's parent company
Kwang Ming Silk Mill Co., Ltd. (Kwang Ming)	Common Chairman between the two companies
Yi Shin Textile Industrial Co., Ltd. (Yi Shin)	Common Chairman between the two companies
I JINN INDUSTRIAL CO., LTD.(I Jinn)	Common Chairman between the two companies

(3) Significant transactions with related parties

1. Operating revenues

Sales to related parties and amounts:

	2025	2024
Kwang Ming	\$ 705,056	589,129
Yi Shin	197,504	191,433
I Jinn	83,492	-
Yi Jinn	<u>7,716</u>	<u>7,185</u>

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

Total	\$	<u>993,768</u>	<u>787,747</u>
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Sales to related parties are priced according to the price of raw materials and are not significantly different from transactions with unrelated parties. Sales to the parent company and other related parties are collectible 15 days after month-end, and the collection terms are not significantly different from unrelated parties. Accounts receivable from related parties are not secured by collateral, and do not require provision for bad debt upon evaluation.

2. Leases

The Company leases some of its plant and office premises to a related party, for which a 10-year lease agreement has been signed. Breakdown of rental income:

	2025	2024
Kwang Ming Silk Mill	\$ <u>24,000</u>	<u>24,000</u>

3. Purchases

Purchases made by the Company from related parties:

	2025	2024
Kwang Ming	\$ 897	363
Yi Shin	6,958	2,201
	\$ <u>7,855</u>	<u>2,564</u>

There is no significant difference between the price of purchases made by the Company with the above companies and with general suppliers. Payment term for the above parties is 30 days after month-end, which is not significantly different from general suppliers.

4. Related party receivables

Details of amounts receivable from related parties:

Account category	Related party category	December 31, 2025	December 31, 2024
Notes receivable	Kwang Ming Silk Mill	\$ 64,194	57,306
Notes receivable	I Jinn	3,379	-
Accounts receivable	Kwang Ming Silk Mill	3,863	-
Other receivables	Kwang Ming Silk Mill (Note)	15,566	13,411
		\$ <u>87,002</u>	<u>70,717</u>

Note: Represents production line wages, utility expenses, and sundry expenses that the Company had paid on behalf.

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

5. Related party payables

Details of amounts payable from related parties:

Account category	Related party category	December 31, 2025	December 31, 2024
Accounts Payable	Yi Shin	\$ 3,908	2,298
Other payables	Yi Shin	138	236
Other payables	I Jinn	152	-
		\$ 4,198	2,534

6. Related party Contract Liabilities

Details of amounts Contract Liabilities from related parties:

Account category	Related party category	December 31, 2025	December 31, 2024
Contract Liabilities	Yi Shin	\$ 24,701	10,331
Contract Liabilities	I Jinn	4,312	-
		\$ 29,013	10,331

(4) Transactions involving key management personnel

Compensation to key management personnel includes the following:

	2025	2024
Short-term employee benefits	\$ 3,439	3,300

8. Pledged assets

Book value of assets that the Company had placed as collateral is explained below:

Name of asset	Borrowings secured	December 31, 2025	December 31, 2024
Property, plant and equipment	Long- and short-term borrowings	\$ 831,713	838,543
Investment properties	"	629,154	636,175
		\$ 1,460,867	1,474,718

9. Major contingent liabilities and unrecognized contractual commitments

(1) Issued but undrawn letters of credit as at December 31, 2025 and 2024:

	December 31, 2025	December 31, 2024
NTD	\$ 245,000	270,760
USD	1,408	1,469
JPY	1,569	-

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

EUR

- -

10. Losses from major disasters: None.

11. Major post-balance sheet events: None.

12. Others

(1) Summary of employee benefit, depreciation, depletion, and amortization expenses by function:

Function Nature	2025			2024		
	Presented as operating cost	Presented as operating expense	Total	Presented as operating cost	Presented as operating expense	Total
Employee benefit expenses						
Salary	100,969	10,993	111,962	98,897	10,932	109,829
Labor/health insurance premium	9,280	803	10,083	9,733	865	10,598
Pension expense	4,365	456	4,821	4,432	479	4,911
Directors' compensation	-	2,020	2,020	-	2,400	2,400
Other employee benefit expenses	6,036	419	6,455	6,211	462	6,673
Depreciation expenses	41,602	4,919	46,521	59,833	4,736	64,569

Additional information on employee size and employee benefit expenses for 2025 and 2024 is presented below:

	2025	2024
Employee count	<u>185</u>	<u>188</u>
No. of directors without concurrent position as employee	<u>8</u>	<u>11</u>
Average employee benefit expenses	<u>\$ 752</u>	<u>744</u>
Average salary expenses	<u>\$ 632</u>	<u>619</u>
Adjustments to average employee salary expenses	<u>1.99%</u>	<u>4.79%</u>

Information regarding the Company's salary and compensation policies (including directors, supervisors, managers, and staff):

Given the vast number of workers and diverse job duties involved, the Company has implemented a compensation policy that pays the following benefits in addition

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

to gross salary for ease of management and calculation:

Responsibility allowance: Employees are entitled to additional monthly pay depending on their duties and grades.

Allowances: Transportation allowance, shift allowance, special allowance, and shift bonus are granted depending on the nature of employees' duties.

Performance bonuses: Production bonus, repair bonus, and loading bonus are offered to reward employees' performance.

Overtime pay: The Company calculates and makes overtime pay according to Article 24 of the Labor Standards Act.

Meal allowance: The Company provides each employee with NT\$2,400 of meal allowance per month.

Pay deductions: The Company imposes pay deductions for improper use of factory and dormitory facilities and work-related mistakes.

13. Other disclosures

(1) Information relating to significant transactions

Significant transactions in 2025 that require further disclosures under Regulations Governing the Preparation of Financial Reports by Securities Issuers are as follows:

1. Loans to external parties: None.
2. Endorsements/guarantees to external parties: None.
3. End-of-period holding position of marketable securities (excluding investment in subsidiaries, associated companies, and joint ventures):

Unit: NTD thousands

Holder	Name and type of securities	Relationship with the securities issuer	Account category	Closing amount				Remarks
				Shares	Book amount	Shareholding percentage	Fair value	
Hung Chou Fiber Industrial Co., Ltd.	Shares - China Man-Made Fiber Corporation	None	Financial assets at fair value through other comprehensive income - current	278	3	- %	3	
"	Shares - Taiwan Filament Weaving Development Co., Ltd.	"	Financial assets at fair value through other comprehensive income - non-current	2,175,660	3,147	3.57 %	3,147	
	Shares - Quanta Computer	None	Financial assets at fair value through other comprehensive income - current	200,000	57,400	0.01 %	57,400	

4. Sales and purchases with related parties amounting to NT\$100 million or more than 20% of paid-up capital:

Unit: NTD thousands

			Transaction summary	Distinctive terms of trade and reasons	Notes and accounts receivable (payable)	
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Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

Name of buyer (seller)	Counterparty Name	Relationship	Purchase (sale)	Amount	As a percentage to total purchases (sales)	Credit term	Unit price	Credit term	Balance	As a percentage of total notes and accounts receivable (payable)	Remarks
Hung Chou Fiber Industrial Co., Ltd.	Kwang Ming Silk Mill Co., Ltd.	Parties with material influence over the Company	Sale	(705,056)	(33.27) %	15 days after month-end	Selling prices are determined according to the price of raw materials, and are not significantly different from transactions with unrelated parties.	General collection terms are 15 days after month-end	68,057	56.96%	
Hung Chou Fiber Industrial Co., Ltd.	Yi Shin Textile Industrial Co., Ltd.	Parties with material influence over the Company	Sale	(197,504)	(9.32) %	15 days after month-end	Selling prices are determined according to the price of raw materials, and are not significantly different from transactions with unrelated parties.	General collection terms are 15 days after month-end		%	

5. Related party receivables amounting to NT\$100 million or more than 20% of paid-up capital: None.

(2) Information on business investments (excluding Mainland investees):

Information about the Company's business investments in 2025:

Unit: NTD thousands

Name of investor	Name of investee	Location	Main business activities	Amount of initial investment		End-of-period holding position			Current period profit/loss of the investee	Investment gains/losses recognized in the current period	Remarks
				Current period-end	End of previous year	Shares	Ratio	Book amount			
Hung Chou Fiber Industrial Co., Ltd.	Da Yi International Development Co., Ltd.	Taiwan	Development of residential and commercial buildings	94,868	94,868	8,196,562	7.10%	68,093	(23,249)	(1,650)	Associated companies

(3) Information relating to investments in the Mainland: None.

(4) Information on major shareholders:

Unit: shares

Name of major shareholder	Share	Number of shares held	Shareholding percentage
Yi Jinn Industrial Co., Ltd.		36,601,000	27.70%
Yi Tong Fiber Co., Ltd.		10,000,000	7.56%
Kwang Ming Silk Mill Co., Ltd.		7,000,000	5.29%

14. Segment information

(1) General information

The Company is primarily involved in the production and trading of polyester fibers. The key decision makers evaluate performance based on overall business outcomes, and for this reason, the Company considers itself as a single operating

Notes to Financial Statements of Hung Chou Fiber Industrial Co., Ltd. (continued)

segment. Segment information for 2025 and 2024 is consistent with the information presented throughout the financial statements.

- (2) Basis of disclosure and reconciliation of profit, asset, and liability information for reportable segments

Profit, asset, and liability of the operating segment have been disclosed on the same basis as the financial statements. Please refer to the balance sheet and comprehensive income statement for details.

- (3) Regional disclosure

Disclosure of regional information is as follows. Income location is determined based on customers' geographic presence, whereas location of non-current assets is determined based on the asset's physical presence.

Location	2025	2024
Revenues from external customers:		
Taiwan	\$ 2,092,712	2,312,667
Other countries	26,264	30,065
	<u>\$ 2,118,976</u>	<u>2,342,732</u>

Non-current assets:

The Company only has one operating segment, and information on non-current assets is consistent with the rest of the financial statements. Please see the balance sheet for details.

- (4) Information on major customers

Details of customers that accounted for more than 10% of the Company's operating revenues in 2025 and 2024:

	2025	2024
Customer B	\$ 197,504	296,600
Customer C	729,056	613,129
Customer G	400,955	598,143
	<u>\$ 1,327,515</u>	<u>1,507,872</u>