

**SHUI-MU INTERNATIONAL CO., LTD. AND
SUBSIDIARIES**

Consolidated Financial Statements

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

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

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Representation Letter

The entities that are required to be included in the consolidated financial statements of SHUI-MU International Co., Ltd. as of and for the year ended December 31, 2025 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements" endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the consolidated financial statements of the affiliated enterprises is included in the consolidated financial statements. Consequently, SHUI-MU International Co., Ltd. and Subsidiaries do not prepare a separate set of consolidated financial statements of the affiliates.

Company name: SHUI-MU International Co., Ltd.
Chairman: Jung-Yueh Lo
Date: March 10, 2026



安侯建業聯合會計師事務所

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Independent Auditors' Report

To the Board of Directors of SHUI-MU International Co., Ltd.:

Opinion

We have audited the consolidated financial statements of SHUI-MU International Co., Ltd. and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition

Please refer to Note 4(o) for the accounting policy on revenue recognition and Note 6(t) for details of revenue from contracts with customers.

Description of key audit matter:

The Group's revenues primarily derive from its retail stores and consist of a high volume of small-value transactions. The sales data transfer process is highly dependent on IT systems. Revenue recognition is the main concern of the users of the financial statements. Therefore, we determined that the revenue recognition is a key audit matter.

How the matter was addressed in our audit:

Our principal audit procedures included:

- 1) Understanding the Group's revenue recognition policy and assessing whether it is consistently applied in comparative periods.
- 2) Examining supporting documents for retail sales transactions and the IT control environment related to financial reporting process.
- 3) Inspecting, on a sample basis, the daily cash report and reconciling items.
- 4) Verifying, on a sample basis, whether the cash receipt amount of the daily cash report is consistent with the bank remittance amount.
- 5) Verifying, on a sample basis, whether the sales amount of daily sales report is consistent with the amount recorded in the accounting system.

2. Inventory valuation

Please refer to Note 4(h) for the accounting policy on inventories, Note 5 for significant accounting estimates and uncertainty of assumptions related to inventory valuation, and Note 6(f) for details of inventories.

Description of key audit matter:

The Group is primarily engaged in the sale of shoes and other leather products. As the fashion trends and styles change constantly, the risk of inventory obsolescence is higher. Therefore, we determined that inventory valuation is a key audit matter.

How the matter was addressed in our audit:

Our principal audit procedures included:

- 1) Verifying whether the Group's accounting policy on the allowance for inventory valuation loss is consistently applied, and assessing the reasonableness of the policy.
- 2) Inspecting supporting documents to test the accuracy of inventory classification according to quarterly changes, and verifying whether the allowance for valuation loss is provided in accordance with the Group's policy.
- 3) Obtaining the net realizable value report to verify whether the calculation logic is used consistently, and testing the assumptions used by inspecting supporting documents.

Other Matter

SHUI-MU International Co., Ltd. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2025 and 2024, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Pei-Chi Chen and Chi-Lung Yu.

KPMG

Taipei, Taiwan (Republic of China)
March 10, 2026

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2025 and 2024

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

	2025		2024	
	Amount	%	Amount	%
4000 Operating revenue, net (note 6(t))	\$ 1,117,949	100	1,136,445	100
5000 Operating costs (notes 6(f) and 7)	<u>486,169</u>	<u>44</u>	<u>515,155</u>	<u>45</u>
5900 Gross profit from operations	631,780	56	621,290	55
Operating expenses (notes 6(d)(h)(i)(n)(p)(u) and 7):				
6100 Selling expenses	623,874	56	576,995	51
6200 Administrative expenses	105,484	9	104,442	9
6300 Research and development expenses	10,422	1	11,373	1
6450 Impairment loss determined in accordance with IFRS 9	<u>1,545</u>	-	-	-
6000 Total operating expenses	<u>741,325</u>	<u>66</u>	<u>692,810</u>	<u>61</u>
6900 Net operating loss	<u>(109,545)</u>	<u>(10)</u>	<u>(71,520)</u>	<u>(6)</u>
Non-operating income and expenses (notes 6(b)(k)(n)(v)(w) and 7)				
7100 Interest income	5,055	1	5,622	-
7010 Other income	12,855	1	12,731	1
7020 Other gains and losses, net	2,108	-	11,851	1
7050 Finance costs, net	(8,710)	(1)	(7,780)	-
7060 Share of profit of associates accounted for using equity method, net	<u>977</u>	-	<u>615</u>	-
7000 Total non-operating income and expenses	<u>12,285</u>	<u>1</u>	<u>23,039</u>	<u>2</u>
7900 Loss before tax	<u>(97,260)</u>	<u>(9)</u>	<u>(48,481)</u>	<u>(4)</u>
7950 Less: Income tax expenses (note 6(q))	-	-	-	-
8200 Loss	<u>(97,260)</u>	<u>(9)</u>	<u>(48,481)</u>	<u>(4)</u>
8300 Other comprehensive loss:				
8360 Items that may be reclassified subsequently to profit or loss:				
8361 Exchange differences on translation of foreign financial statements	-	-	(5,691)	(1)
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
Components of other comprehensive income that will be reclassified to profit or loss	-	-	(5,691)	(1)
8300 Other comprehensive loss	-	-	(5,691)	(1)
8500 Comprehensive loss	<u>\$ (97,260)</u>	<u>(9)</u>	<u>(54,172)</u>	<u>(5)</u>
Loss attributable to:				
8610 Owners of parent	\$ (97,257)	(9)	(48,480)	(4)
8620 Non-controlling interests	<u>(3)</u>	-	<u>(1)</u>	-
Loss	<u>\$ (97,260)</u>	<u>(9)</u>	<u>(48,481)</u>	<u>(4)</u>
Comprehensive loss attributable to:				
8710 Owners of parent	\$ (97,257)	(9)	(54,171)	(5)
8720 Non-controlling interests	<u>(3)</u>	-	<u>(1)</u>	-
Comprehensive loss	<u>\$ (97,260)</u>	<u>(9)</u>	<u>(54,172)</u>	<u>(5)</u>
Loss per share(note 6(s))				
9750 Basic loss per share (in dollars)	<u>\$ (1.46)</u>		<u>(0.73)</u>	
9850 Diluted loss per share (in dollars)	<u>\$ (1.46)</u>		<u>(0.73)</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

Equity attributable to owners of parent

	Retained earnings					Total other equity interest		Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Accumulated deficit	Total retained earnings	Exchange differences on translation of foreign financial statements			
Balance at January 1, 2024	\$ 668,000	331,289	-	-	(173,227)	(173,227)	5,691	831,753	132	831,885
Loss	-	-	-	-	(48,480)	(48,480)	-	(48,480)	(1)	(48,481)
Other comprehensive loss	-	-	-	-	-	-	(5,691)	(5,691)	-	(5,691)
Total comprehensive loss	-	-	-	-	(48,480)	(48,480)	(5,691)	(54,171)	(1)	(54,172)
Balance at December 31, 2024	668,000	331,289	-	-	(221,707)	(221,707)	-	777,582	131	777,713
Loss	-	-	-	-	(97,257)	(97,257)	-	(97,257)	(3)	(97,260)
Other comprehensive loss	-	-	-	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	(97,257)	(97,257)	-	(97,257)	(3)	(97,260)
Capital surplus used to offset accumulated deficits	-	(221,707)	-	-	221,707	221,707	-	-	-	-
Cash distributed from capital surplus	-	(13,360)	-	-	-	-	-	(13,360)	-	(13,360)
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	(128)	(128)
Balance at December 31, 2025	\$ 668,000	96,222	-	-	(97,257)	(97,257)	-	666,965	-	666,965

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the years ended December 31, 2025 and 2024
(Expressed in Thousands of New Taiwan Dollars)

	2025	2024
Cash flows from (used in) operating activities:		
Loss before tax	\$ (97,260)	(48,481)
Adjustments:		
Adjustments to reconcile loss:		
Depreciation expense	189,618	189,064
Amortization expense	5,011	4,802
Expected credit loss	1,545	-
Net gain on financial assets or liabilities at fair value through profit or loss	(7,137)	(4,909)
Interest expense	8,710	7,780
Interest income	(5,055)	(5,622)
Dividend income	(542)	(382)
Share of profit of associates accounted for using equity method	(977)	(615)
Loss on disposal of property, plant and equipment	2,284	723
Loss on lease modification	1,221	-
Total adjustments to reconcile loss	<u>194,678</u>	<u>190,841</u>
Changes in operating assets and liabilities:		
Net gain on financial assets or liabilities at fair value through profit or loss	-	(3,631)
Notes receivable	-	446
Accounts receivable	19,397	(11,508)
Other receivables	232	802
Inventories	24,939	(3,416)
Prepayments	(10,219)	5,283
Contract liabilities	(1,668)	14,542
Accounts payable	(990)	(6,130)
Accounts payable to related parties	(2,748)	324
Other payables	14,053	(8,187)
Other payables to related parties	209	(1,298)
Other current liabilities	898	282
Total adjustments	<u>238,781</u>	<u>178,350</u>
Cash inflow generated from operations	141,521	129,869
Interest received	5,096	5,618
Interest paid	(8,710)	(7,780)
Income taxes paid	(193)	(194)
Net cash flows from operating activities	<u>137,714</u>	<u>127,513</u>
Cash flows from (used in) investing activities:		
Decrease (increase) in financial assets measured at amortized cost	29,980	(19,990)
Acquisition of property, plant and equipment	(31,957)	(13,816)
Decrease (Increase) in refundable deposits	655	(1,205)
Acquisition of intangible assets	(528)	(2,745)
Dividends received	1,085	372
Net cash flows used in investing activities	<u>(765)</u>	<u>(37,384)</u>
Cash flows from (used in) financing activities:		
Decrease in guarantee deposits received	(650)	(55)
Payment of lease liabilities	(143,850)	(140,043)
Cash distributed from capital surplus	(13,360)	-
Change in non-controlling interests	(128)	-
Net cash flows used in financing activities	<u>(157,988)</u>	<u>(140,098)</u>
Effect of exchange rate changes on cash and cash equivalents	-	(5,691)
Decrease in cash and cash equivalents	(21,039)	(55,660)
Cash and cash equivalents at beginning of period	<u>230,468</u>	<u>286,128</u>
Cash and cash equivalents at end of period	<u>\$ 209,429</u>	<u>230,468</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

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

(1) Company history

- (a) SHUI-MU International Co., Ltd. (the “Company”) was incorporated on August 25, 2003 and registered with the Ministry of Economic Affairs, ROC. The address of the Company’s registered office is 6 F, No. 168, Songjiang Rd., Zhongshan Dist., Taipei City. The major business activities of the Company is wholesale and retail of shoes and bags.
- (b) The Company's stocks were approved for trading on Taipei Exchange's emerging stock board on September 3, 2012. The Company was approved for listing by Taiwan Stock Exchange in June 2014 and was officially listed in September 2014.

(2) Approval date and procedures of the consolidated financial statements

These consolidated financial statements were authorized for issue by the Board of Directors on March 10, 2026.

(3) New standards, amendments and interpretations adopted

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

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

- Amendments to IAS21 “Lack of Exchangeability”

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

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

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”
- Annual Improvements to IFRS Accounting Standards—Volume 11
- Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”

(Continued)

SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	<p>The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities.</p> <ul style="list-style-type: none"> ● A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined ‘operating profit’ subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company’s main business activities. ● Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards. ● Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes. 	January 1, 2027 note: On September 25, 2025, the FSC issued a press release announcing that Taiwan will adopt IFRS 18 beginning in 2028. Entities that need to adopt the new standard earlier may do with the endorsement of the FSC.

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SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

(4) Summary of material accounting policies

The material accounting policies presented in the consolidated financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C.(altogether referred to “IFRS Accounting Standards” endorsed by the “FSC”).

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis.

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

When the Group loses control over a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any interest retained in the former subsidiary is measured at fair value when control is lost, with the resulting gain or loss being recognized in profit or loss. The Group recognizes as gain or loss in profit or loss the difference between (i) the fair value of the consideration received as well as any investment retained in the former subsidiary at its fair value at the date when control is lost ;and (ii) the assets (including any goodwill), liabilities of the subsidiary as well as any related non-controlling interests at their carrying amounts at the date when control is lost, as gain or loss in profit or loss. When the Group loses control of its subsidiary, it accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if it had directly disposed of the related assets or liabilities.

(ii) List of subsidiaries in the consolidated financial statements

Name investor	Name of subsidiary	Principal activity	Shareholding		Description
			December 31, 2025	December 31, 2024	
SHUI-MU International Co., Ltd.	Comphy International Company Limited	Sale of shoes, bags, and socks	95.00 %	95.00 %	
SHUI-MU International Co., Ltd.	Shuang Yueh Co., Ltd.	Shoes manufacturing	100.00 %	100.00 %	

(iii) Subsidiaries excluded from the consolidated financial statements: None.

(d) Foreign currencies

(i) Foreign currency transactions

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

(Continued)

SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

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

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

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

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

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

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

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SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

(f) Cash and cash equivalents

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

(g) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, trade receivables and notes receivable, other receivable, leases receivable, guarantee deposit paid and other financial assets).

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

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

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

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

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

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SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

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

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

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

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

4) Derecognition of financial assets

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

(ii) Financial liabilities and equity instruments

1) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

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SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

2) Derecognition of financial liabilities

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

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

3) Offsetting of financial assets and liabilities

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

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition.

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

(i) Investment in associates

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

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

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

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

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

1) buildings	55 years
2) transportation equipment	3 years
3) office equipment	3~5 years
4) leasehold improvement	1~10 years
5) other equipment	10 years

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

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SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(k) Leases

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

(i) As a lessee

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

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

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

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

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

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

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

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

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

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

(ii) As a lessor

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

(l) Intangible assets

(i) Recognition and measurement

Other intangible assets, including trademarks and computer software that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

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

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

1) Trademarks	10 years
2) Computer software	3 ~ 10 years

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

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SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(m) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

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

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

(n) Impairment of non-financial assets

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

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

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

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

Impairment losses are recognized in profit or loss.

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

(o) Revenue from contracts with customers

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

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SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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1) Sale of goods

The Group sells shoes and leather products. The Group recognizes revenue when a customer takes possession of the product. Payment of the transaction price is due immediately when the customer purchases the product. The Group sells gift certificates that are non-refundable and have no expiry date. When gift certificates are redeemed and the obligation to supply goods is fulfilled, revenue is recognized based on the amount of gift certificates redeemed relative to the total amount expected to be redeemed.

2) Customer loyalty program

The Group operates a customer loyalty program to its retail customers. Retail customers obtain points for purchases made, which entitle them to discount on future purchases. The Group considers that the points provide a material right to customers that they would not receive without entering into a contract. Therefore, the promise to provide points to the customer is a separate performance obligation. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. Management estimates the stand-alone selling price per point on the basis of the discount granted when the points are redeemed and on the basis of the likelihood of redemption, based on past experience. The stand-alone selling price of the product sold is estimated on the basis of the retail price. The Group has recognized contract liability at the time of sale on the basis of the principle mentioned above. Revenue from the award points is recognized when the points are redeemed or when they expire.

3) Service revenue

The Group provides shoes repair services to customers. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. The proportion of services provided is determined based on the work performed to date as a proportion of the total work expected to be performed.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

4) Financing components

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

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(p) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(q) Government grants

The Group recognizes an unconditional government grant in profit or loss as other income when the grant becomes receivable. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(r) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Short-term employee benefits

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

(s) Income taxes

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

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

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

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

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SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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

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

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

- (t) Business combination

The Group accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Group recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

For each business combination, the Group measures any noncontrolling interests in the acquiree either at fair value or at the noncontrolling interest's proportionate share of the acquiree's identifiable net assets, if the noncontrolling interests are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of noncontrolling interests are measured at their acquisition-date fair values, unless another measurement basis is required by the IFRS Accounting Standards endorsed by the FSC.

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(u) Earnings per share

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

(v) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

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

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

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

There are no critical judgments in applying accounting policies that have significant effect on the amounts recognized in the consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows:

(a) Valuation of inventory:

Inventories are stated at the lower of cost or net realizable value. The Group estimates the net realizable value of inventory for normal waste, obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is determined mainly based on assumptions of future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to note 6(f) for further description of the valuation of inventory.

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(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2025	December 31, 2024
Cash	\$ 2,516	2,004
Checking accounts	437	128
Demand deposits	153,275	165,135
Time deposits	<u>53,201</u>	<u>63,201</u>
	<u>\$ 209,429</u>	<u>218,618</u>

- (i) The Company transacts with a variety of financial institutions, all with high credit quality, to disperse credit risk, so it expects that the probability of counterparty default is remote.
- (ii) Please refer to note 6(w) for the exchange rate risk, interest rate risk, and sensitivity analysis of the financial assets and liabilities of the Company.

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

	December 31, 2025	December 31, 2024
Mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Fund beneficiary certificates	\$ 22,400	21,309
Stock listed on domestic markets	<u>24,250</u>	<u>18,204</u>
	<u>\$ 46,650</u>	<u>39,513</u>

- (i) For the years ended December 31, 2025 and 2024, net gains on financial assets at fair value through profit or loss were \$7,137 thousand and \$4,909 thousand, respectively. Please refer to note 6(v).
- (ii) As of December 31, 2025 and 2024, none of the financial assets at fair value through profit or loss had not been pledged as collateral.
- (iii) Please refer to note 6(w) for market risk information in relation to financial assets at fair value through profit or loss.

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(c) Financial assets measured at amortized cost

	December 31, 2025	December 31, 2024
Current:		
Time deposits with maturity over 3 months	\$ 38,680	68,660

(i) None of the financial assets measured at amortized costs held by the Group were pledged or collateralized as of December 31, 2025 and 2024.

(ii) Please refer to note 6(w) for credit risk information in relation to financial assets measured at amortized costs.

(d) Accounts receivable and notes receivable

	December 31, 2025	December 31, 2024
Accounts receivable	\$ 17,422	36,819
Less: loss allowance	(2,444)	(899)
	\$ 14,978	35,920

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

The loss allowance provision was determined as follows:

	December 31, 2025		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 14,933	0%~0.03%	-
Past due within 90 days	45	0%~0.03%	-
Past due over 91 days	2,444	100%	2,444
	\$ 17,422		2,444

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	December 31, 2024		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 34,812	0%~0.03%	-
Past due within 90 days	1,098	0%~0.03%	-
Past due over 91 days	909	98.90%	899
	\$ 36,819		899

The movement in the allowance for accounts receivable was as follows:

	For the years ended December 31	
	2025	2024
Balance on January 31	\$ 899	899
Impairment losses recognized	1,545	-
Balance on December 31	\$ 2,444	899

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

For further credit risk information, please refer to note 6(w).

(e) Other receivables

	December 31, 2025	December 31, 2024
Other receivables	\$ 345	608
Less: loss allowance	(217)	(217)
	\$ 128	391

The movement in the allowance for other receivables was as follows:

	December 31, 2025	December 31, 2024
Balance on December 31 and January 1	\$ 217	217

(f) Inventories

	December 31, 2025	December 31, 2024
Raw materials	\$ 13	18
Merchandise	585,033	591,388
Less: Loss allowances	(149,756)	(131,177)
	\$ 435,290	460,229

(Continued)

SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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The details of the cost of sales were as follows:

	For the years ended December 31	
	2025	2024
Inventory that has been sold	\$ 443,733	466,998
Write-down and write-off of inventories	35,451	38,338
Repair costs	4,622	5,742
Service costs	2,363	4,077
	\$ 486,169	515,155

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

(g) Acquisition of a subsidiary

To meet operational needs of business expansion, the Group acquired 100% equity interest of Shuang Yueh Co., Ltd. in January 2024, whose main business activity is shoes manufacturing.

The major categories of consideration transferred and the amounts of assets acquired and liabilities assumed recognized on the acquisition date are as follows:

- (i) The transfer consideration is 3,526 thousand in cash .
- (i) Identifiable assets acquired and liabilities assumed

The fair values of the identifiable assets acquired and liabilities assumed on the acquisition date are as follows:

Cash and cash equivalents	\$ 201
Accounts receivable (including related parties)	5,859
Other current assets	554
Intangible assets	3,519
Other non-current assets	120
Notes and accounts payable	(6,194)
Other current liabilities	(533)
	\$ 3,526

(Continued)

SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(h) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Group for the years ended December 31, 2025 and 2024, were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Transportati on equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Other equipment</u>	<u>Total</u>
Cost :							
Balance at January 1, 2025	\$ 80,599	44,387	1,230	38,011	457,081	66,415	687,723
Additions	-	-	-	10,862	16,095	5,000	31,957
Disposal	-	-	-	(770)	(8,942)	(775)	(10,487)
Balance at December 31, 2025	<u>\$ 80,599</u>	<u>44,387</u>	<u>1,230</u>	<u>48,103</u>	<u>464,234</u>	<u>70,640</u>	<u>709,193</u>
Balance at January 1, 2024	\$ 80,599	44,387	1,230	37,791	452,866	64,213	681,086
Acquired through business combination	-	-	-	-	395	-	395
Additions	-	-	-	1,495	9,596	2,725	13,816
Disposal	-	-	-	(969)	(5,776)	(829)	(7,574)
Reclassification	-	-	-	(306)	-	306	-
Balance at December 31, 2024	<u>\$ 80,599</u>	<u>44,387</u>	<u>1,230</u>	<u>38,011</u>	<u>457,081</u>	<u>66,415</u>	<u>687,723</u>
Depreciation:							
Balance at January 1, 2025	\$ -	16,380	1,230	32,541	295,832	57,269	403,252
Depreciation	-	793	-	3,211	35,885	3,747	43,636
Disposal	-	-	-	(751)	(6,677)	(775)	(8,203)
Balance at December 31, 2025	<u>\$ -</u>	<u>17,173</u>	<u>1,230</u>	<u>35,001</u>	<u>325,040</u>	<u>60,241</u>	<u>438,685</u>
Balance at January 1, 2024	\$ -	15,588	1,230	29,890	265,003	53,602	365,313
Acquired through business combination	-	-	-	-	395	-	395
Depreciation	-	792	-	3,703	35,487	4,413	44,395
Disposal	-	-	-	(969)	(5,053)	(829)	(6,851)
Reclassification	-	-	-	(83)	-	83	-
Balance at December 31, 2024	<u>\$ -</u>	<u>16,380</u>	<u>1,230</u>	<u>32,541</u>	<u>295,832</u>	<u>57,269</u>	<u>403,252</u>
Carrying amounts:							
Balance at December 31, 2025	<u>\$ 80,599</u>	<u>27,214</u>	<u>-</u>	<u>13,102</u>	<u>139,194</u>	<u>10,399</u>	<u>270,508</u>
Balance at January 1, 2024	<u>\$ 80,599</u>	<u>28,799</u>	<u>-</u>	<u>7,901</u>	<u>187,863</u>	<u>10,611</u>	<u>315,773</u>
Balance at December 31, 2024	<u>\$ 80,599</u>	<u>28,007</u>	<u>-</u>	<u>5,470</u>	<u>161,249</u>	<u>9,146</u>	<u>284,471</u>

As of December 31, 2025 and 2024, the property, plant and equipment of the Group had been pledged as collateral for issuance of gift certificates and loans facility to financial institutions; please refer to note 8.

(Continued)

SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Right-of-use assets

The cost and depreciation of leased building and other equipment of the Group were as follows:

	<u>Buildings</u>	<u>Other equipment</u>	<u>Total</u>
Cost:			
Balance at January 1, 2025	\$ 877,730	5,125	882,855
Additions	143,761	1,737	145,498
Reductions	<u>(166,965)</u>	<u>-</u>	<u>(166,965)</u>
Balance at December 31, 2025	<u>\$ 854,526</u>	<u>6,862</u>	<u>861,388</u>
Balance at January 1, 2024	\$ 776,265	4,956	781,221
Additions	148,222	169	148,391
Reductions	<u>(46,757)</u>	<u>-</u>	<u>(46,757)</u>
Balance at December 31, 2024	<u>\$ 877,730</u>	<u>5,125</u>	<u>882,855</u>
Depreciation:			
Balance at January 1, 2025	\$ 480,602	4,864	485,466
Depreciation	145,145	425	145,570
Reductions	<u>(150,581)</u>	<u>-</u>	<u>(150,581)</u>
Balance at December 31, 2025	<u>\$ 475,166</u>	<u>5,289</u>	<u>480,455</u>
Balance at January 1, 2024	\$ 382,825	4,783	387,608
Depreciation	144,176	81	144,257
Reductions	<u>(46,399)</u>	<u>-</u>	<u>(46,399)</u>
Balance at December 31, 2024	<u>\$ 480,602</u>	<u>4,864</u>	<u>485,466</u>
Carrying amount:			
Balance at December 31, 2025	<u>\$ 379,360</u>	<u>1,573</u>	<u>380,933</u>
Balance at January 1, 2024	<u>\$ 393,440</u>	<u>173</u>	<u>393,613</u>
Balance at December 31, 2024	<u>\$ 397,128</u>	<u>261</u>	<u>397,389</u>

(j) Investment property

Investment property comprises office buildings that are owned by the Group and leased to third parties under operating leases. The leases of investment properties contain an initial non-cancellable lease term of 10 years. The lease provide the lessee with options to extend at the end of the term.

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SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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The movements of investment property of the Group for the year ended December 31, 2025 and 2024, were as follows:

	<u>Land</u>	<u>Building and Construction</u>	<u>Total</u>
Cost:			
Balance at December 31 and January 1, 2025	\$ <u>80,600</u>	<u>23,076</u>	<u>103,676</u>
Balance at December 31 and January 1, 2024	\$ <u>80,600</u>	<u>23,076</u>	<u>103,676</u>
Depreciation:			
Balance at January 1, 2025	\$ -	8,517	8,517
Dpreciation	<u>-</u>	<u>412</u>	<u>412</u>
Balance at December 31, 2025	\$ <u>-</u>	<u>8,929</u>	<u>8,929</u>
Balance at January 1, 2024	\$ -	8,105	8,105
Depreciation	<u>-</u>	<u>412</u>	<u>412</u>
Balance at December 31, 2024	\$ <u>-</u>	<u>8,517</u>	<u>8,517</u>
Carrying amount:			
Balance at December 31, 2025	\$ <u>80,600</u>	<u>14,147</u>	<u>94,747</u>
Balance at January 1, 2024	\$ <u>80,600</u>	<u>14,971</u>	<u>95,571</u>
Balance at December 31, 2024	\$ <u>80,600</u>	<u>14,559</u>	<u>95,159</u>
Fair value:			
Balance at December 31, 2025			\$ <u>269,950</u>
Balance at December 31, 2024			\$ <u>266,690</u>

The fair value of investment properties was based on a valuation by a qualified independent appraiser who has recent valuation experience in the location and category of the investment property being valued. The inputs of levels of fair value hierarchy in determining the fair value is classified to Level 3.

Fair value was measured using the market approach and income approach. The yield method under the income approach would have been used if there was no active market for the investment properties. The valuation model considers the present value of net cash flows to be generated from the property, and the expected net cash flows are discounted using risk-adjusted discount rates. For the year ended December 31, 2025 and 2024, the rate of return are both 2.845%.

As of December 31, 2025 and 2024, the investment property of the Group had been pledged as collateral for issuance of gift certificates and loans facility to financial institutions; please refer to note 8.

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SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(k) Operating lease

The Group leased out its investment property. The Group classified these leases as operating leases because it did not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

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

	December 31, 2025	December 31, 2024
Less than one year	\$ 7,387	7,387
One to five years	29,547	29,547
More than five years	12,927	20,314
	\$ 49,861	57,248

For the years ended December 31, 2025 and 2024, rental income from investment properties were both \$7,298.

(l) Short-term borrowing

The details of short-term borrowings were as follows:

	December 31, 2025	December 31, 2024
Secured bank loans	\$ -	-
Unused facilities	\$ 350,000	350,000
Range of interest rates	-	-

(m) Other payable

The details of other payables were as follows:

	December 31, 2025	December 31, 2024
Salaries payable	\$ 31,666	26,483
Payables on equipment	5,111	584
Other accrued expenses and other	42,905	38,562
	\$ 79,682	65,629

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SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(n) Lease liabilities

The carrying values of the lease liabilities were as follows:

	December 31, 2025	December 31, 2024
Current	<u>\$ 102,102</u>	<u>126,346</u>
Non-current	<u>\$ 303,591</u>	<u>293,232</u>

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

The amounts recognized in profit or loss were as follows:

	For the years ended December 31	
	2025	2024
Interest on lease liabilities	<u>\$ 8,670</u>	<u>7,745</u>
Expenses relating to short-term leases	<u>\$ 15,510</u>	<u>15,603</u>

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

	For the years ended December 31	
	2025	2024
Total cash outflow for leases	<u>\$ 168,030</u>	<u>163,391</u>

(i) Real estate leases

The Group leases building for its warehouses and retail stores. The leases of warehouses typically run for a period of 5 years, and of retail stores for 3 to 5 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

The Group leases equipment with lease terms of three years. The Group will acquire all the equipment at the end of the lease term.

(Continued)

SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(o) Provisions

The details of decommissioning liabilities were as follows:

	For the years ended December 31	
	2025	2024
Balance at January 1	\$ 7,911	8,010
Provisions recognized (reversed) during the year	370	(99)
Balance at December 31	\$ 8,281	7,911

The carrying amount of provisions were as follows:

	December 31, 2025	December 31, 2024
Current	\$ 1,489	1,542
Non-current	\$ 6,792	6,369

According to applicable agreements, The Group bears dismantling, removing the asset and restoring the site obligations for certain stores in the future. A provision is recognized for the present value of costs to be incurred for dismantling, removing the asset and restoring the site.

(p) Employee benefits

Defined contribution plans

The Group allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contribution to the Bureau of the Labor Insurance amounted to \$12,576 thousand and \$11,645 thousand in 2025 and 2024, respectively.

(q) Income taxes

(i) Income tax expenses

1) The components of income tax were as follows:

The Group did not incur income tax expense for the years ended December 31, 2025 and 2024.

The Group did not directly recognize any income tax expense in equity for the years ended December 31, 2025 and 2024.

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SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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Reconciliation of income tax and loss before tax in 2025 and 2024, was as follows:

	For the years ended	
	December 31	
	2025	2024
Loss excluding income tax	\$ (97,260)	(48,481)
Income tax using the Company domestic tax rate	(19,451)	(9,696)
Tax-exempt income	(104)	(72)
Changes in unrecognized temporary differences	20,881	10,511
Others	(1,326)	(743)
Income tax expense	<u>\$ -</u>	<u>-</u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31,	December 31,
	2025	2024
The carryforward of unused tax losses	<u>\$ 184,254</u>	<u>166,701</u>

The R.O.C Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

2) Assessment of tax

The corporate income tax of this company has been assessed by the taxation authorities up to the year 2023.

(r) Capital of ordinary shares

(i) Issuance of ordinary shares

As of December 31, 2025 and 2024, the number of authorized ordinary shares were both 80,000 thousand shares, amounting to \$800,000 thousand with par value of \$10 per share, and 66,800 thousand of ordinary shares were issued. All issued shares were paid up upon issuance.

(Continued)

SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Capital surplus

The components of capital surplus were as follows:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Paid in capital in excess of par value	\$ 96,222	330,033
Difference arising from subsidiary's share price and its carrying value	-	1,256
	<u>\$ 96,222</u>	<u>331,289</u>

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

A resolution to distribute cash from capital surplus was passed at the general meeting of shareholders held on June 13, 2025. The distribution details are as follows:

	<u>2025</u>	
	<u>Amount per share (in dollars)</u>	<u>Total amount</u>
Cash distributions to common stockholders:		
Cash distributed from capital surplus	\$ 0.20	<u>13,360</u>

(iii) Retained earnings

According to the Company's articles of incorporation, earnings may be distributed after the end of each quarter. When distributing earnings, the Company shall first retain the tax payable and offset the accumulated losses. 10% of the remaining earnings shall be allocated to the legal reserve, unless the legal reserve has reached the Company's total paid-in capital. After the Company has allocated or reversed special reserve in accordance with relevant regulations, the current profit along with any undistributed retained earnings from prior years shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the shareholders' meeting for approval.

Before the distribution of dividends, the Company shall first take into consideration its operating programs and estimated future cash flows in determining the stock or cash dividends to be paid, and profits may be distributed by cash dividends or stock dividends. The cash dividends shall not be lower than 10% of total dividends. The aforementioned percentage of earnings distribution is subject to resolution by the shareholders' meeting for adjustments depending on current year's profit and capital position.

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SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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In accordance with the Article 240, paragraph 5 of the Company Act, the Company authorizes the Board of Directors, with the presence of more than two-thirds of the directors and the approval of a majority of the directors, to distribute the dividends and bonus or legal reserves and capital surpluses, entirely or partially, as cash dividends, and report to the shareholders' meeting.

1) Legal reserve

When the Company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

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

3) Earnings appropriation and distribution

A resolution was passed during the general meeting of shareholders held on June 18, 2024 to offset the accumulated deficit.

A resolution was passed during the general meeting of shareholders held on June 13, 2025 to offset the accumulated deficit with capital surplus of \$221,707 thousand.

(iv) Other equity (net of tax)

	Exchange differences on translation foreign financial statements
Balance at January 1, 2024	\$ 5,691
Exchange differences on foreign operations	(5,691)
Balance at December 31, 2024	\$ -

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SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES
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(s) Loss per share

The details on the calculation of basic loss per share as of December 31, 2025 and 2024 was based on the profit attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, as follows:

(i) Loss attributable to ordinary shareholders of the Company

	<u>2025</u>	<u>2024</u>
Loss attributable to ordinary shareholders of the Company	\$ <u>(97,257)</u>	<u>(48,480)</u>

(ii) Weighted average number of ordinary share

	<u>2025</u>	<u>2024</u>
Weighted average number of ordinary shares (in thousand share)	<u>66,800</u>	<u>66,800</u>

The Company has no potential dilutive ordinary shares for the years ended December 31, 2025 and 2024.

(t) Revenue from contracts with customers

(i) Details of revenue

	<u>For the years ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
Primary geographical markets:		
Taiwan	\$ <u>1,117,949</u>	<u>1,136,445</u>

Revenue of the Group is from selling products including shoes and bags and its repair business. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The geographical market is in Taiwan.

(ii) Contract balances

	<u>December 31, 2025</u>	<u>December 31, 2024</u>	<u>January 1, 2024</u>
Notes receivable	\$ -	-	446
Trade receivables	17,422	36,819	25,311
Less: allowance for impairment	<u>(2,444)</u>	<u>(899)</u>	<u>(899)</u>
	<u>\$ 14,978</u>	<u>35,920</u>	<u>24,858</u>

(Continued)

SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>December 31,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>	<u>January 1,</u> <u>2024</u>
Contract liabilities:			
Unearned revenue from gift certificates	\$ 385,058	379,514	359,393
Customer loyalty programs	<u>594</u>	<u>7,806</u>	<u>13,385</u>
	<u>\$ 385,652</u>	<u>387,320</u>	<u>372,778</u>

For details on trade receivables and allowance for impairment, please refer to note 6(d).

The amount of revenue recognized for the years ended December 31, 2025 and 2024 that was included in the contract liability balance at the beginning of the period were \$81,090 thousand and \$60,606 thousand, respectively.

For gift certificates that the Group issued with no expiry date, the Group recognizes revenue when customers redeem the gift certificates.

The change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

(u) Employee compensation and directors remuneration

On June 13, 2025, the Company resolved at the shareholders' meeting to amend its Articles of Incorporation. According to the amended Articles, after offsetting any accumulated losses, if there is remaining profit before the appropriation of employee remuneration (including salary adjustments or remuneration for base-level employees) and directors' remuneration, the Company shall allocate 1% to 10% as employee remuneration and up to 2% as directors' remuneration. In addition, in accordance with the Securities and Exchange Act, 2% to 7% shall be allocated for salary adjustments or remuneration for base-level employees. However, where the Company still has accumulated losses, an amount shall be reserved in advance to cover such losses. Prior to the amendment, the Articles stipulated that, after offsetting any accumulated losses, if there is remaining profit before the appropriation of employee remuneration and directors' remuneration, the Company shall allocate 1% to 10% as employee remuneration and up to 2% as directors' remuneration.

Due to loss in 2025 and 2024, there were no estimated amounts of employee compensation and directors' remuneration. Related information would be available at the Market Observation Post System website.

(v) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	For the years ended December 31,	
	<u>2025</u>	<u>2024</u>
Interest income from bank deposits	<u>\$ 5,055</u>	<u>5,622</u>

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SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Other income

The details of other income were as follows:

	For the years ended December 31	
	2025	2024
Rental income	\$ 9,836	11,221
Dividend income	542	382
Government grants and others	2,477	1,128
	\$ 12,855	12,731

(iii) Other gains and losses

The details of other gain and losses were as follows:

	For the years ended December 31	
	2025	2024
Gains on financial assets at fair value through profits loss	\$ 7,137	4,909
(Losses) gains on disposal of investments	(9)	6,464
Foreign exchange (losses) gains	(1,407)	1,364
Losses on disposal of property, plant and equipment	(2,284)	(723)
Losses on lease modifications	(1,221)	-
Others	(108)	(163)
	\$ 2,108	11,851

(iv) Finance costs

The details of finance costs were as follows:

	For the years ended December 31	
	2025	2024
Interest expense-lease	\$ 8,670	7,745
Interest expense-others	40	35
	\$ 8,710	7,780

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SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(w) Financial instruments

(i) Types of financial instruments

Financial assets of fair value through profit or loss

	December 31, 2025	December 31, 2024
Financial assets at fair value through profit or loss:		
Financial assets mandatorily measured at fair value through profit or loss	\$ 46,650	39,513
Financial assets measured at amortized cost:		
Cash and cash equivalents	209,429	230,468
Financial assets measured at amortized cost - current	38,680	68,660
Accounts receivable, net	14,978	35,920
Other receivables	128	391
Other non-current assets-refundable deposits	56,714	57,369
Subtotal	319,929	392,808
	\$ 366,579	432,321

Financial liabilities

	December 31, 2025	December 31, 2024
Financial liabilities measured at amortized cost:		
Accounts payable	\$ 36,977	37,967
Accounts payable to related parties	5,425	8,173
Other payables	79,682	65,629
Other payables to related parties	373	164
Current lease liabilities	102,102	126,346
Non-current lease liabilities	303,591	293,232
Other non-current liabilities-guarantee deposits received	4,056	4,706
	\$ 532,206	536,217

(ii) Credit risk

1) Credit risk exposure

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

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SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Concentration of credit risk

The Group believes that there is no significant concentration of credit risk due to the Group's large number of customers and their wide geographic spread. In order to reduce credit risk, the Group evaluate the financial status of customers regularly without requiring its customers to provide collateral.

(iii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-5 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2025						
Non-derivative financial liabilities						
Accounts payable (including related parties)	\$ 42,402	42,402	42,402	-	-	-
Other payables (including related parties)	80,055	80,055	80,055	-	-	-
Lease liabilities	<u>405,693</u>	<u>415,756</u>	<u>107,378</u>	<u>118,914</u>	<u>163,558</u>	<u>25,906</u>
	<u>\$ 528,150</u>	<u>538,213</u>	<u>229,835</u>	<u>118,914</u>	<u>163,558</u>	<u>25,906</u>
December 31, 2024						
Non-derivative financial liabilities						
Accounts payable (including related parties)	\$ 46,140	46,140	46,140	-	-	-
Other payables (including related parties)	65,793	65,793	65,793	-	-	-
Lease liabilities	<u>419,578</u>	<u>433,994</u>	<u>132,512</u>	<u>114,168</u>	<u>171,648</u>	<u>15,666</u>
	<u>\$ 531,511</u>	<u>545,927</u>	<u>244,445</u>	<u>114,168</u>	<u>171,648</u>	<u>15,666</u>

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amount.

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SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk were as follows:

	December 31, 2025			December 31, 2024			
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	
<u>Financial assets</u>							
<u>Monetary items</u>							
(Foreign currency: functional currency)							
USD : NTD	\$	1,106	31,420	34,751	1,068	32,785	35,014

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents. For the years ended December 31, 2025 and 2024, the sensitivity analysis for the changes in the foreign currency exchange rates were as follows:

	2025			
	Sensitivity analysis			
	Increasing/ Decreasing	Net income	Other comprehensive income	
<u>Financial asset</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	348	-
	2024			
	Sensitivity analysis			
	Increasing/ Decreasing	Net income	Other comprehensive income	
<u>Financial asset</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	350	-

3) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gains (losses) on monetary items is disclosed by total amount. For years 2025 and 2024, foreign exchange (losses) gains (including realized and unrealized portions) amounted to \$(1,407) thousand and \$1,364 thousand, respectively.

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SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Price risk

- 1) The Group is exposed to equity price risk due to the investments in equity securities, accounted for financial assets at fair value through profit or loss. In order to manage price risk of equity investment, the Group sets a limit to invest in a diversified portfolio.
- 2) The Group primarily invests in domestic equity instruments, and the prices of these equity instruments may be affected by uncertainty of the future values. If the interest rate increases/decreases by 1%, the Group's loss before tax will decrease/increase by \$467 thousand and \$395 thousand for the years ended December 31, 2025 and 2024, respectively, with all other variable factors that remain constant.

(vi) Fair value of financial instruments

1) Fair value hierarchy

The fair value of financial assets at fair value through profit or loss, is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows (excluding the disclosure of financial assets and liabilities for which the book value is close to this fair value, and lease liabilities):

		December 31, 2025			
		Fair value			
Book Value	Level 1	Level 2	Level 3	Total	
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	\$ <u>46,650</u>	<u>46,650</u>	<u>-</u>	<u>-</u>	
				<u>46,650</u>	
		December 31, 2024			
		Fair value			
Book Value	Level 1	Level 2	Level 3	Total	
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	\$ <u>39,513</u>	<u>39,513</u>	<u>-</u>	<u>-</u>	
				<u>39,513</u>	

2) Valuation techniques for financial instruments measured at fair value

A. Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

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SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

B. Transfers between Level 1 and Level 2

There were no transfers in either direction for the years ended December 31, 2025 and 2024.

(x) Financial risk management

(i) Overview

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

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

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

The Group's Board of Directors oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Board of Directors is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(iii) Credit risk

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

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SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Trade and other receivables

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and, in some cases, bank references. Purchase limits are established for each customer and are reviewed regularly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

2) Investments

The Group holds its bank deposits in different financial institutions to manage the exposure to credit risk of each institution to prevent concentration risk.

3) Guarantees

As of December 31, 2025 and 2024, the Group has not provided any guarantees to companies outside the group.

(iv) Liquidity risk

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

Loans and borrowings from the bank form an important source of liquidity for the Group. As of December 31, 2025 and 2024, the Group's unused credit line were both amounted to 350,000 thousand.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Exchange rate risk

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

2) Interest rate risk

The Group does not have any significant liability with a floating interest rate, and changes in market interest rate do not have any significant impact on the future cash flow of the Group.

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SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(y) Capital management

The Group's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Group's debt-to-equity ratios at the end of the reporting periods were as follows:

	<u>December 31,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
Total liabilities	\$ 930,366	934,777
Less: cash and cash equivalents	<u>(209,429)</u>	<u>(230,468)</u>
Net debt	<u>\$ 720,937</u>	<u>704,309</u>
Total equity	<u>\$ 666,965</u>	<u>777,713</u>
Debt-to-equity ratio	<u>108.09 %</u>	<u>90.56 %</u>

There were no changes in the Group's approach to capital management as of December 31, 2025.

(z) Financing activities not affecting current cash flow

The Group's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2025 and 2024 were acquisition of right-of-use assets by leasing. Please refer to notes 6(i) and 6(n).

(7) Related-party transactions

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
All directors, general manager and deputy general managers, etc.	Key management personnel of the Group
Yueh Ya Chuan Co., Ltd.	An entity controlled by key management personnel
Learn Jet International Ltd.	An associate

(Continued)

SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Significant transactions with related parties

(i) Purchases

1) Operating costs

The amounts of significant sales by the Group to related parties were as follows:

	For the years ended December 31	
	2025	2024
Purchases:		
An associate:		
Learn Jet International Ltd.	\$ 45,142	28,650

The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors.

2) Accounts payable to related parties

Payables to related parties resulting from the above transactions were as follows:

	December 31, 2025	December 31, 2024
An associate:		
Learn Jet International Ltd.	\$ 5,425	8,173

3) Prepayment to related parties

The prepayments to related parties resulting from the above transactions were as follows:

	December 31, 2025	December 31, 2024
An associate	\$ -	4,943

(ii) Other transactions

1) Operating expense

The amounts of cleaning fee, telephones fee, building management fee, utility fee, service expense, postage expense, and rental expense were as follows:

	For the years ended December 31	
	2025	2024
An entity controlled by key management	\$ -	308
An associate	874	940
Total	\$ 874	1,248

(Continued)

SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Other payables to related parties

The details of other payables incurred by the Group due to the above-mentioned related party transactions are as follows:

	December 31, 2025	December 31, 2024
An associate	\$ 373	164

(c) Key management personnel compensation

Key management personnel compensation comprised:

	For the years ended December 31	
	2025	2024
Short-term employee benefits	\$ 17,036	16,258
Post-employment benefits	432	413
	\$ 17,468	16,671

(8) Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2025	December 31, 2024
Land and buildings	Issuance of gift certificates and loans facility	\$ 107,813	108,606
Investment property	Issuance of gift certificates and loans facility	94,747	95,159
Refundable deposits (included in other non-current assets)	Lease deposits and tenders	56,714	57,369
		\$ 259,274	261,134

(9) Commitments and contingencies: None.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

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SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(12) Other

(a) A summary of employee benefits, depreciation, and amortization, by function, is as follows:

By item	By function	For the year ended December 31					
		2025			2024		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		1,413	269,311	270,724	1,580	240,610	242,190
Labor and health insurance		135	27,576	27,711	132	24,599	24,731
Pension		94	12,482	12,576	92	11,553	11,645
Remuneration of directors		-	3,337	3,337	-	3,680	3,680
Others		101	18,051	18,152	86	16,662	16,748
Depreciation		384	189,234	189,618	369	188,695	189,064
Amortization		-	5,011	5,011	-	4,802	4,802

(13) Other disclosures

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number (note 1)	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (note 2)	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Loss allowance	Collateral		Individual funding loan limits (note 4)	Maximum limit of fund financing (note 4)
													Item	Value		
0	SHUI-MU International Co., Ltd.	Shuang Yuch Co., Ltd. Shuang	Other receivables	Yes	2,000	2,000	-	1.5%	Note 3	-	Operating capital	-	None	-	133,393	266,786

Note 1: The numbers are as follows:

- a. The Company is numbered “0”.
- b. The investees are sequentially numbered from “1”.

Note 2: Highest balance of financing to other parties during the year.

Note 3: Entities with short-term financing needs.

Note 4: (1) The ceiling on total loans granted by the Company shall not exceed 40% of the net worth of its audited or reviewed financial statements.

(2) For entities that the Company has business with, the ceiling on total loans granted by the Company shall not exceed 20% of the Company’s net worth; the ceiling on loans granted to each entity shall not exceed the transaction amount within a year. The transaction amount is the higher amount of purchases or sales.

(3) For entities with short-term financing needs, the ceiling on total loans granted by the Company shall not exceed 20% of the Company’s net worth; the ceiling on loans granted to each entity shall not exceed 20% of the Company’s net worth.

(4) For loans granted mutually between overseas subsidiaries of which the Company directly or indirectly holds 100% of their voting shares, the ceiling on total loans granted shall not exceed 100% of the Company’s net worth; the ceiling on loans granted to each entity shall not exceed 60% of the Company’s net worth.

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SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (ii) Guarantees and endorsements for other parties: None.
- (iii) Material securities held as of December 31, 2025 (excluding investment in subsidiaries, associates and joint ventures): None.
- (iv) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.
- (v) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.
- (vi) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Shuang Yueh Co.,Ltd	1	Purchase	64,696	The terms are not significantly different from those of non-related parties.	5.79%
0	"	"	1	Accounts payable	1,893	"	0.12%

Note 1 : The number should be filled in as follows:

(1) 0 represents the parent company.

(2) Subsidiaries are numbered sequentially starting with Arabic numeral 1 according to company type.

Note 2 : The types of relationships with the trader are as follows:

(1) Parent company to subsidiary company.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3 : The above transactions have been eliminated in preparing the consolidated financial statements.

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2025 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2025			Highest Percentage of wnership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2025	December 31, 2024	Shares (thousands)	Percentage of wnership	Carrying value				
SHUI-MU International Co., Ltd.	Comphy International Company Limited	Taiwan	Sale of shoes, bags, and socks	-	9,500	-	-	%	-	95.00 %	(57)	(54)Note1
"	Shuang YuehCo., Ltd.	Taiwan	Shoes manufacturing	3,526	3,526	440	100.00 %	308	100.00 %	174	(1,430)	Note2
"	Leam Jet International Ltd.	Taiwan	Sale of clothing, shoes, hat	700	700	-	34.00 %	1,690	34.00 %	2,929	977	

Note 1 : Comphy International Company Limited completed the liquidation procedures in October 2025.

Note 2 : The recognized investment gains and losses include adjustments for amortization of intangible assets arising from the acquisition.

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

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SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(14) Segment information

The Group operates business only in a single industry. The chief operating decision-maker, who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable segment. This segment is mainly involved in wholesale and retail of shoes and bags.

(a) Product and services information

Revenue from the external customers of the Group was as follows:

<u>Product and services</u>	For the years ended December 31	
	<u>2025</u>	<u>2024</u>
Sales	\$ 1,110,690	1,128,713
Repair services	5,487	6,087
Other	<u>1,772</u>	<u>1,645</u>
Total	<u>\$ 1,117,949</u>	<u>1,136,445</u>

(b) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

<u>Geographic information</u>	For the years ended December 31	
	<u>2025</u>	<u>2024</u>
Revenue from external customers:		
Taiwan	\$ <u>1,117,949</u>	<u>1,136,445</u>
Non-current assets:		
Taiwan	\$ <u>763,411</u>	<u>798,725</u>

(c) Major customers

For the years ended December 31, 2025 and 2024, there were no customers that individually exceeded 10% of the operating revenue of the consolidated statements of comprehensive income.